

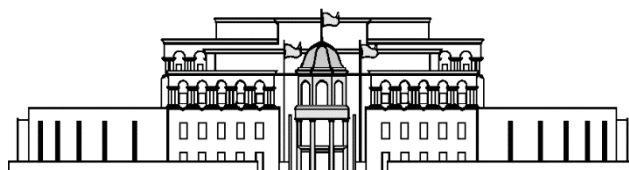
Allocation of Money Distributed From the Local Government Tax Distribution Account



Bulletin No. 13-04

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Bureau*

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BULLETIN NO. 13-04

**LEGISLATIVE COMMISSION'S SUBCOMMITTEE
TO STUDY THE ALLOCATION OF MONEY DISTRIBUTED
FROM THE LOCAL GOVERNMENT TAX DISTRIBUTION ACCOUNT**

Assembly Bill 71
(Chapter 384, Statutes of Nevada 2011)

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Senator David R. Parks
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NOTE: Senator Elizabeth Halseth resigned from office on February 17, 2012. The Legislative Commission appointed Senator Mike McGinness to replace Senator Elizabeth Halseth on the Committee on March 29, 2012.

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SUMMARY OF RECOMMENDATIONS

Legislative Commission's Subcommittee to Study the Allocation of Money Distributed from the Local Government Tax Distribution Account

Assembly Bill 71 (Chapter 384, Statutes of Nevada 2011)

This summary presents the recommendations approved by the Legislative Commission's Subcommittee to Study the Allocation of Money Distributed from the Local Government Tax Distribution Account at its final two meetings held on July 26 and August 30, 2012. These recommendations will be included in a bill draft request for consideration by the 77th Session of the Nevada Legislature in 2013. During the drafting process, specific details of the following proposals for legislation may be further clarified by staff in consultation with the Chair or others, as appropriate.

The recommendations include:

- (1) Use the five-year average percentage change in the Consumer Price Index (CPI) to adjust the annual base allocation for local governments and special districts, instead of only the average percentage change in the CPI during the prior year.
- (2) Revise the method by which a local government or special district's annual base allocation is calculated to include all revenue (base plus excess) distributed to that entity in the prior year, adjusted for inflation (based on recommendation #1 above), instead of only the base revenue distributed in the prior year, adjusted for inflation.
- (3) Modify the excess distribution formula for all seventeen counties. The provisions related to the no one-plus excess distribution formula would be repealed and the distribution of excess revenue would be determined as follows:
 - o For a county whose population is less than 100,000 (currently all counties except Clark and Washoe), use the one-plus formula to determine the distribution of excess revenue. For a local government: use one-plus the sum of the five-year average percentage change for population and the five-year average percentage change for assessed value. For a special district: use one-plus the five-year average percentage change for assessed value.
 - o For a county whose population is 100,000 or more (currently Clark and Washoe), use a new 0.02-plus formula to determine the distribution of excess revenue. For a local government: use 0.02 plus the sum of the five-year average percentage change for population, and the five-year average percentage change for assessed value. For a special district: use 0.02 plus the five-year average percentage change for assessed value. Additionally, for Clark and Washoe counties only:

- o If a local government or special district has a five-year average percentage change in assessed value that is negative, the assessed value growth rate used in the excess distribution formula for that entity will be set to zero.
 - o For a particular fiscal year, if the above calculations result in a negative value for all local governments (excludes special districts), the distribution of any excess revenue for all local governments and special districts would be based on the base distribution shares established pursuant to NRS 360.680.
- (4) Change the date by which a cooperative agreement for an alternative distribution of revenue among local governments and/or special districts within a county must be submitted to the Department of Taxation, from December 31 to April 1 prior to the fiscal year that will be governed by the cooperative agreement. Local governments would be required to submit a notice of their intent to enter into a cooperative agreement on or before March 1.
- (5) Revise the method by which annual population estimates are used to determine the distribution of certain revenues at the first tier of the Local Government Tax Distribution Account. This is a technical recommendation brought forward by Fiscal Analysis Division staff to clarify that the population estimates certified by the Governor prior to each fiscal year are to be used by the Department for all distributions attributable to the fiscal year beginning on July 1, although the actual distributions for a fiscal year may occur after July 1 due to the Governmental Accounting Standards Board (GASB) rules used by the Department of Taxation.

**Report to the 77th Session of the Nevada Legislature by the
Legislative Commission's Subcommittee to Study the Allocation of
Money Distributed from the Local Government Tax Distribution Account**

I. Introduction

The 76th Session of the Nevada Legislature approved Assembly Bill 71 (Chapter 384, *Statutes of Nevada 2011*), creating the Legislative Commission's Subcommittee to Study the Allocation of Money Distributed from the Local Government Tax Distribution Account.

The Subcommittee was directed to review the structural components of the formula used for the allocation of money distributed from the Local Government Tax Distribution Account to local governments, special districts and enterprise districts from the inception of the formula to the present day, as well as examine whether the formula results in an equitable allocation among all those governmental entities, including, without limitation, any local library districts which do not currently receive such an allocation, and, if not, consider possible alternative methodologies to achieve a more equitable allocation among all those governmental entities.

The Subcommittee was comprised of six members: three members of the Senate and three members of the Assembly. The six members of the Subcommittee were:

Assemblywoman Marilyn Kirkpatrick, Chair
Assemblyman Richard (Skip) Daly
Assemblyman John Ellison
Senator John J. Lee
Senator Mike McGinness
Senator David R. Parks

Staff services from the Legislative Counsel Bureau (LCB) were provided by:

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The Subcommittee held six meetings, including two work sessions, during the 2011-12 Legislative Interim. All meetings were open to the public and were videoconferenced between the Grant Sawyer State Office Building in Las Vegas and the Legislative Building in Carson City. All six meetings were also videoconferenced to locations in Elko and Winnemucca. As a result of these hearings, the Subcommittee adopted five recommendations for changes to the distribution of revenue in the Local Government Tax Distribution Account to be considered by the 2013 Legislature. (See Final Recommendations of the Subcommittee on Page 17.)

II. Background / History of the CTX

What is the Local Government Distribution Account, Consolidated Tax Distribution, or CTX?

The Local Government Tax Distribution Account, created by statute, is used by the Department of Taxation to aggregate and distribute revenues from six different revenues collected statewide to various government entities in all seventeen counties throughout the state. The mechanism to distribute revenues to the seventeen counties is informally referred to as the Consolidated Tax Distribution, or the CTX.

What are the six revenues that are distributed through the CTX?

The six revenues distributed through the CTX are:

- **Basic City-County Relief Tax (BCCRT):** A portion of the state's combined sales and use tax rate equal to 0.5 percent. The proceeds from this portion of the rate, less a 1.75 percent commission kept by the state, are distributed through the CTX.
- **Supplemental City-County Relief Tax (SCCRT):** A portion of the state's combined sales and use tax rate equal to 1.75 percent. The proceeds from this portion of the rate, less a 1.75 percent commission kept by the state, are distributed through the CTX.
- **Governmental Services Tax (GST):** The tax levied based on the taxable value of a vehicle registered in the state. A portion of the 4-cent basic GST rate is distributed through the CTX.
- **Real Property Transfer Tax (RPTT):** The tax levied at the time of a transfer of title of real property whose value exceeds \$100. A portion of the rate equal to 55 cents per \$500 of value is distributed through the CTX.
- **Cigarette Tax:** The excise tax levied at the wholesale level on each package of cigarettes to be sold in Nevada. A portion of the rate equal to 10 cents per pack of cigarettes is distributed through the CTX.
- **Liquor Tax:** The excise tax levied at the wholesale level on liquors exceeding 22 percent alcohol by volume to be sold in Nevada. A portion of the rate equal to 10 cents per gallon of liquor exceeding 22 percent alcohol by volume is distributed through the CTX.

Depending on the revenue source, some or all revenue generated from these six sources is distributed through the CTX to local government entities throughout the state. See Appendix C, "History and Overview of the Local Government Tax Distribution Account", for a more detailed description of the distribution of these revenues.

How are these revenues distributed?

For each of the six revenue sources, specific rules govern the distribution of each revenue source to the seventeen counties. Depending on the revenue source, monthly revenue generated may be distributed using one of three different methods:

- BCCRT revenues generated from sales within the state, as well as RPTT and GST revenues, are distributed to each of the seventeen counties based on where the taxable activity occurred.
- BCCRT revenues generated from sales outside of the state, as well as cigarette and liquor tax revenues, are distributed to each of the seventeen counties based on each county's population as a percentage of the total statewide population.
- SCCRT revenues are distributed to each of the seventeen counties based on statutory formulas in Chapter 377 of the NRS.

The distribution of revenue from the Local Government Tax Distribution Account into seventeen sub-accounts – one for each county – is known as the **first-tier distribution**.

Once the Department of Taxation has determined the amount to be distributed into each county's sub-account at the first tier, the revenue is then divided among eligible entities within the county, using statutory formulas that determine what is known as the **second-tier distribution**.

What entities receive second-tier distributions from the CTX?

Chapter 360 of the Nevada Revised Statutes, which governs the CTX, currently differentiates the types of government entities within a county eligible to receive CTX revenue into three distinct categories:

- **Enterprise Districts:** Enterprise districts are entities that receive CTX revenues that are not counties, cities, or towns, and that were determined to be an enterprise district by the Executive Director of the Department of Taxation pursuant to NRS 360.620.
- **Local governments:** Local governments are counties, cities, and towns that receive CTX revenue pursuant to NRS 360.640.
- **Special districts:** Special districts are all other entities that are not either enterprise districts or local governments and who receive revenue pursuant to NRS 360.650.

Additionally, to be eligible to receive revenue from the CTX, an entity had to have been receiving revenue from at least one of the six revenue sources making up the CTX before its initialization in FY 1999. See Appendix C for more information.

How much base revenue does each entity receive each month?

Depending upon its classification, each entity is entitled to a monthly base distribution that is calculated as follows:

- **Enterprise districts** receive a monthly base distribution equal to one-twelfth of the annual base distribution received by that entity in the prior fiscal year. The distribution to the enterprise districts is always done before the distribution to the local governments and special districts.
- **Local governments and special districts** receive a monthly base distribution equal to one-twelfth of the annual base distribution received by that entity in the prior fiscal year, adjusted by the percentage change in the Consumer Price Index in the immediately preceding calendar year.

How are base and excess revenues distributed at the second tier each month?

If the Department of Taxation, after making the distribution to enterprise districts, determines that there is not sufficient revenue to distribute the full monthly base amount to the local governments and special districts, then the remaining amount is proportionately distributed to each local government and special district based on the percentage that each entity's monthly base amount makes up the total base amount for each of these entities in the county.

If the Department of Taxation, after making the distribution to enterprise districts, determines that there is more than sufficient revenue to distribute the full monthly base amount to the local governments and special districts, then it must determine whether there were any prior months in the fiscal year where there was not sufficient revenue to make the full base distribution to entities in a month. Any leftover revenue must first be used, if necessary, to make up the base distributions in prior months where revenue was not sufficient to fully pay the base distribution.

If there is revenue remaining after all previous months' base distributions have been backfilled, or if there are no prior months where there was not sufficient revenue to make the base distribution, then the revenue is considered to be "**excess**" revenue and is distributed under a separate set of formulas to local governments and special districts (enterprise districts are not entitled to excess revenue):

- **For local governments**, each entity's share is determined by taking the entity's base revenue, multiplied by the sum of the average change in population in the entity over the prior five calendar years and the average change in assessed value in the entity over the prior five calendar years.
- **For special districts**, each entity's share is determined by taking the entity's base revenue, multiplied by the average change in assessed value in the entity over the prior five calendar years.

- The above calculations for all local governments and special districts in the county are added together to generate a total, and each entity's share is its percentage of the total.

These calculations are informally known as the “**no one-plus formula**,” because the formula does not require the addition of the number one to the sum of population and assessed value changes.

Under current law, there are alternative calculations that are required under certain circumstances to determine the excess distribution:

- If the average net proceeds of minerals in a county over the previous five fiscal years exceeds \$50 million, if the five-year average percentage change in population in the county is negative, or if both of these conditions occur, then the number one is added to each local government and special district's factor in making the calculations.
- If the sum of the five-year average percentage change in population and the five-year average percentage change in assessed value in each local government is negative, and the five-year average percentage change in assessed value in each special district is negative, then the number one is added to each local government and special district's factor in making the calculations.
- If the sum of the five-year average percentage change in population and the five-year average percentage change in assessed value in each local government is negative, but the five-year average percentage change in assessed value in any special district is positive, then the number one is added to each local government and special district's factor in making the calculations, and the percentage change in population for the county is also added to each special district's factor.

The first two of these alternative calculation methods are informally known as the “**one-plus formula**” because of the requirement to add one to the sum of the population and assessed value before multiplying this number by the entity's base amount. The third alternative calculation is known informally as the “**modified one-plus formula**,” since it requires that the county's population change be added to each special district's change in assessed value.

Like the no one-plus formula, the excess revenue distribution for each local government and special district under the one-plus formula or the modified one-plus formula is the share of that entity's calculation of the total, when all calculations are added together for the local governments and special districts in each county.

III. Overview of Committee Proceedings

During the 2011-12 Interim, the Legislative Commission's Subcommittee to Study the Allocation of Money Distributed from the Local Government Tax Distribution Account held six meetings, including two work sessions. All six meetings were open to the public and were videoconferenced between the Grant Sawyer State Office Building in Las Vegas and the Legislative Building in Carson City. All six meetings were also videoconferenced to locations in Elko and Winnemucca. As a result of these hearings, the Subcommittee adopted six recommendations for changes to the distribution of revenue in the Local Government Tax Distribution Account to be considered by the 2013 Legislature. (See Final Recommendations of the Subcommittee on Page 17.)

Due to the complex nature of the Local Government Tax Distribution Account and the Consolidated Tax Distribution (CTX), the first two meetings of the Subcommittee held on February 1, 2012, and March 15, 2012, focused on establishing a comprehensive repository of information related to the CTX that could be utilized by all interested parties throughout the study. Legislative Counsel Bureau staff provided the Subcommittee with a series of presentations and reference documents covering all aspects of the CTX including the following topics:

- o Overview of the Local Government Tax Distribution Account and the Consolidated Tax Distribution (CTX)
- o Overview of the Six Revenue Sources Dedicated to the CTX and their Distribution To Counties Under the First Tier of the CTX
- o Overview of the Distribution of First-Tier Revenues To Entities Within a County at the Second Tier of the CTX
- o Base Calculation With and Without Excess Revenue Included
- o Excess Distribution Shares Under No One-Plus, One-Plus, and Combinations of No One-Plus and One-Plus
- o Hypothetical Examples of Base and Excess Distributions on a Monthly and Fiscal Year Basis

The above presentations were accompanied by the following resources developed by Fiscal Analysis Division staff for use during the study and placed on the Legislative Counsel Bureau's website:

- o Actual Revenues Distributed Under the First Tier and Second Tier of the CTX and Other Statistics Related to the CTX Distribution
 - o http://www.leg.state.nv.us/Interim/76th2011/Committee/Studies/AllocationMoney/Other/15-March-2012/03152012_CTX_Data_Material%20.pdf
- o Nevada Revised Statutes Related to the CTX from 1995 to 2011 as the Law Existed After Each Legislative Session
 - o <http://www.leg.state.nv.us/interim/76th2011/Committee/Studies/AllocationMoney/Other/2-February-2012/MeetingPage.cfm?ID=13&MeetingDate=2-February-2012>

- o History of Legislation Related to the CTX – Provides Access to CTX Bills and the Minutes from the Hearings on Each Bill
 - o <http://www.leg.state.nv.us/interim/76th2011/Committee/Studies/AllocationMoney/Other/2-February-2012/MeetingPage.cfm?ID=13&MeetingDate=2-February-2012>
- o List of Bulletins from Prior CTX Interim Studies
 - o http://www.leg.state.nv.us/Interim/76th2011/Committee/Studies/AllocationMoney/Other/1-February-2012/CTX_Bulletins_02012012.pdf

In addition to the presentations by Legislative Counsel Bureau staff, the Subcommittee also received an overview of the creation of the CTX and the changes to the CTX formula since its inception. This presentation was provided by two of the members that served on the original technical advisory committee (SCR 40, 1995 Session) involved with developing the CTX formula, Marvin Leavitt, Chair, Committee on Local Government Finance and Guy Hobbs, Principal, Hobbs, Ong & Associates Inc.

Throughout the course of the study, the Subcommittee stressed the importance of all local governments being actively engaged in the study since the distribution of CTX revenue is ultimately a local government issue. The Subcommittee began the process of identifying the specific local government CTX issues and concerns by working with representatives from the Nevada Association of Counties and Nevada League of Cities. During the first meeting of the Subcommittee held on February 1, 2012, these organizations offered to assist the Subcommittee by ensuring that all local governments were aware of the interim study and invited to participate. The Subcommittee also directed staff to ensure that any local governments that were not represented by these organizations were also invited to participate in the study.

The Nevada Association of Counties and Nevada League of Cities assisted Legislative Counsel Bureau staff with the distribution of a CTX Issues Survey to solicit comments and concerns from local government entities across the state. Survey responses were received from 13 counties and 20 other local government entities statewide and during the second meeting of the Subcommittee held on March 15, 2012, the Subcommittee reviewed all of the survey responses and received testimony from several local governments regarding the CTX issues identified through the survey. All survey responses were included in the March 15, 2012, Subcommittee meeting packet and were also made available on the Legislative Counsel Bureau's website.

- o <http://www.leg.state.nv.us/interim/76th2011/Committee/Studies/AllocationMoney/Other/15-March-2012/MeetingPage.cfm?ID=13&MeetingDate=15-March-2012>

During the third meeting of the Subcommittee held on April 30, 2012, Jeremy Aguero, Applied Analysis (a Las Vegas based consulting firm) advised the Subcommittee that his firm had been retained by the City of Las Vegas and the City of Henderson, independently, to analyze the CTX formula, its alternatives, impacts and trends. Mr. Aguero explained that his analysis of the CTX included extensive meetings with the Department of Taxation for the purpose of developing an Excel spreadsheet-based CTX model capable of simulating the impact to all local government entities based on

proposed changes to the CTX formula. Mr. Aguero noted that since mid-February 2012, an informal local government working group comprised of representatives from the cities of Las Vegas, Henderson and other local governments had been using the model to evaluate several alternatives to the CTX formula.

Given the development of the CTX model by Applied Analysis and the formation of the informal local government working group between the cities of Las Vegas and Henderson, the Subcommittee recommended that all local governments as well as representatives from the Nevada Association of Counties and Nevada League of Cities be invited to participate in the working group. The Subcommittee also directed the local government working group to evaluate the various proposals to change the CTX formula and present the Subcommittee with recommendations that were supported by all local governments.

Based on the Subcommittee's direction to the local government working group to evaluate the proposed changes to the CTX formula and make recommendations to the Subcommittee, Mr. Aguero of Applied Analysis facilitated approximately 20 local government working group meetings during May through August 2012 held at several locations across the state. The number of local government entities participating in the working group meetings increased over time and some of the meetings were conducted with small groups or individual local governments rather than the entire working group. Many of the meetings were attended by multiple local governments and several meetings were also made available to local governments via an Internet based "Go-To-Meeting" interface that allows participation in a meeting from a remote location using a computer and telephone.

Based on the status reports of the local government working group deliberations presented by Mr. Aguero of Applied Analysis during the Subcommittee meetings held on July 26 and August 30, 2012, the following is a brief summary of the major issues discussed by the working group along with the consensus reached by the working group regarding each issue.

1. Consumer Price Index (CPI) Adjustment Used in Base Revenue Calculation

It was determined that the CPI adjustment used in the base revenue calculation should be based on the average percentage change in the CPI over the previous five years (rather than the percentage change in the CPI for just the previous year).

The consensus of the local government working group is that the average percentage change of the CPI over five years helps to smooth out the impact of sharp ups and downs that may occur in the CPI for any one year and also protects against either hyper-inflation or deflation. This change also makes the CPI adjustment consistent with the methodology used in the excess revenue calculations that use the five-year average percentage change for both population and assessed value.

2. Base Revenue Calculation

It was determined that the annual amount of base revenue allocated to each local government and special district should be equal to the total amount of revenue, base plus excess (rather than just the base amount), received by the entity in the previous fiscal year, adjusted for inflation using the CPI (as proposed in Issue #1 above).

The consensus of the local government working group is that allowing the excess revenue to carry forward from year to year (rather than adding the excess to the base each year as proposed) creates distribution inequities. During the recent decline in the economy, those entities that relied on a larger percentage of excess revenue experienced a greater decline in total revenue relative to those entities with less excess revenue as a percentage of total revenue. Adding the excess revenue to the base each year will limit the misconception that “excess” revenue is “extra” revenue and it will allow the CTX distributions to evolve over time as base amounts adjust with each community.

3. Excess Distribution Formula

During the recent recession, several jurisdictions experienced annual declines in assessed value of 20, 30 and even greater than 40 percent in some cases while population levels also declined slightly. The local government working group determined that based on the current “no one-plus” excess distribution formula in which assessed value growth is added to population growth to determine the distribution of excess revenue, the declines in assessed value have been so severe that it could take several years before the sum of population and assessed value growth would result in a positive value, thus allowing the entity to participate in the distribution of any excess revenue.

The local government working group also determined that the current no one-plus formula creates uncertainty for local governments due to the potential for dramatic shifts in the distribution of excess revenue from year to year.

Based on the concerns identified regarding the current no one-plus excess distribution formula, the local government working group recommends the following changes to the CTX excess distribution formula:

- o The statutory provisions related to the distribution of excess revenue under the no one-plus formula would be repealed for all 17 counties.
- o For a county whose population is less than 100,000 (currently all counties except Clark and Washoe), use the “one-plus” formula for the distribution of excess revenue. This recommendation would reestablish the excess distribution formula that was enacted with the passage of the original CTX legislation during the 1997 Legislative Session.

- o For a county whose population is 100,000 or more (currently Clark and Washoe), use a new “0.02-plus” formula for the distribution of excess revenue as follows:
 - o For local governments: Multiply each entity’s base revenue amount (as determined by Issue #2 above) by 0.02 plus the sum of the entity’s five-year average percentage change in population and five-year average percentage change in assessed value.
 - o For special districts: Multiply each entity’s base revenue amount (as determined by Issue #2 above) by 0.02 plus the five-year average percentage change in assessed value.
 - o If a local government or special district has a five-year average change in assessed value that is negative, the assessed value growth rate used in the excess distribution formula for that entity will be set to zero.
 - o The consensus of the local government working group is that sharp declines in assessed value do not necessarily reflect sharp declines in the demand for government services. By setting an entity’s assessed value factor to zero when the five-year average percentage change is negative, population growth remains as the only growth factor used in the excess distribution formula for that entity.
 - o The above calculations for all local governments and special districts in the county are added together to generate a total, and each entity’s share of excess revenue is equal to its percentage of the total.
 - o For a particular fiscal year, if the above calculations result in a negative value for all local governments (excludes special districts), the excess distribution shares would be equal to the base distribution shares for that fiscal year as determined pursuant to NRS 360.680.

The consensus of the local government working group is that a single, one size fits all formula does not work for all 17 counties due to the significant differences in the demographics associated with the urban areas versus the rural areas of the state. The working group determined that utilizing the one-plus formula provides an element of revenue stability as desired in the rural areas while the 0.02-plus balances revenue stability and the nexus between revenue growth and community growth as desired in the urban areas. The working group established that a two percent growth rate, as represented by the 0.02-plus factor, approximates a modest rate of growth for all entities.

By utilizing the one-plus formula in the rural counties, the issue of negative assessed value or negative population growth becomes essentially irrelevant since the number one is added to the sum of the population and assessed value growth rates.

4. Deadline for Entering into Cooperative Agreement for an Alternative Distribution of CTX Revenue

It was determined that the current deadline for submitting a cooperative agreement to the Department of Taxation for an alternative distribution of CTX revenue, pursuant to NRS 360.730, should be changed from December 31 to April 1 prior to the fiscal year that will be governed by the agreement. Local governments will be required to submit a notice of intent to enter into a cooperative agreement on or before March 1 and submit the final cooperative agreement approved by all governing bodies on or before April 1.

Changing the deadline from December 1 to April 1 provides local governments with the opportunity to evaluate their preliminary budget estimates, received on or before February 15 from the Department of Taxation pursuant to NRS 360.690, in advance of the deadline for entering into a cooperative agreement. However, the proposed April 1 deadline is still in advance of the April 15 deadline for local governments to submit tentative budgets to the Department of Taxation pursuant to NRS 354.596.

The local government working group acknowledged that the final CTX revenue estimates provided on or before March 15 by the Department of Taxation pursuant to NRS 360.690 will not reflect the alternative distributions resulting from a cooperative agreement.

5. Distribution of First-Tier CTX Revenue

It was determined that the first-tier distribution of revenue to each county should not be changed. The current distribution based on guaranteed counties and point-of-origin county distribution has worked well historically and has helped to preserve stability in rural counties.

The only proposal brought forth regarding the first-tier distribution was by the City of Fernley. The City of Fernley requested the Subcommittee to consider why the City of Fernley does not receive an amount of CTX revenue that is comparable to the amount of CTX revenue received by other cities in the state that have population and assessed value levels comparable to that of Fernley. It was noted that the City of Fernley is unique since it is the only city to be incorporated after the CTX provisions were implemented in FY 1999 and based on the considerable population growth in Fernley relative to the rest of the county, the City of Fernley requested consideration for additional CTX revenue.

The proposal brought forward by the City of Fernley would provide for a redistribution of first-tier revenue in order to provide the City of Fernley with an amount of CTX revenue that is comparable to the amount of CTX revenue received by other cities in the state that have population and assessed value levels comparable to that of Fernley.

Based on a review of the provisions of NRS 360.740, the Subcommittee determined that the City of Fernley has not received a reallocation of CTX revenue since its incorporation in 2001 because the city has not met the requirement to provide police protection and at least two of the following three services: fire protection; construction, maintenance and repair of roads; or parks and recreation, as set forth in NRS 360.740.

It was determined that there are multiple factors contributing to why Fernley does not receive an amount of revenue comparable to other cities of similar size. Although two entities that are located in separate counties may be similar with respect to the level or even growth rate of population and assessed value, it is the underlying economy in each county and the amount of each revenue source actually collected in each county that drives the differences in revenue received by the entities. Additionally, the types of government services provided by each entity must also be taken into consideration when comparisons are made.

When Fernley became a city in 2001, Lyon County and Fernley entered into an agreement for Lyon County to continue to provide police protection services to the City of Fernley. However, that agreement did not include provisions for a reallocation of CTX revenue from Lyon County to the City of Fernley. The City of Fernley also does not receive CTX revenue directly for the purpose of providing fire protection services. Fire protection services are provided to the City of Fernley by the North Lyon Fire Protection District, which receives CTX revenue directly for this purpose.

The concerns raised by Fernley were also discussed by the local government working group and the consensus of the working group is that the formation of a new government entity (through incorporation) should not increase the cost of providing the current level of government services unless the residents of the new entity elect to tax themselves.

6. Population and Assessed Value Factors Used to Determine Excess Revenue Distribution Shares

It was determined that the current methodology of using the five-year average percentage change in population and the five-year average percentage change in assessed value to determine the distribution of excess revenue should not be changed.

The consensus of the local government working group is that equally weighted population and assessed value factors reflect the best available indicators to measure the growth and change in various communities. The factors intentionally double weight population growth based on the fact that the majority of assessed value is attributable to residential property values. The five-year averages are appropriate to smooth out any sharp annual variations and use of these factors also

reflect that each jurisdiction is unique with respect to the level of population and assessed value in each jurisdiction.

7. Population Estimates Used in the CTX Formula

The consensus of the local government working group is that the current methodology of using the State Demographer's population estimates, certified annually by the Governor, should not be changed since these estimates are the official estimates of the state and reflect the best available information.

The local government working group suggested a need to revisit this issue in order to consider the process by which the official population estimates are finalized and certified, particularly during census years when revised data being incorporated into the Demographers estimates results in large changes in population growth for only the census year. Although using the five-year average percentage change in population helps to address this issue, the anomaly created by the census adjustment occurring in a single year is also carried forward in the calculation for the next five years as well.

8. Growth Factor for Special Districts in the Excess Distribution Formula

It was determined that the current methodology of using only the five-year average percentage change in assessed value to determine the distribution of excess revenue for special districts should not be changed.

The consensus of the local government working group is that the CTX was intentionally designed to discourage the formation of new special purpose districts. The basic principles established during the creation of the CTX are still valid; single-purpose entities, such as special districts, are intentionally treated differently than multi-purpose entities, such as counties, cities or towns. Additionally, official population estimates do not exist for all special districts and special districts may also overlap other entities.

The local government working group suggested a need to revisit this issue in order to consider the long history of special district formation in Nevada and in particular, the formation of library districts, including how those districts are funded.

9. Enterprise Districts

The consensus of the local government working group is that the CTX was intentionally designed to discourage the formation of new special purpose districts. Enterprise districts receive the same amount of revenue from year to year, do not receive an annual CPI adjustment and do not receive any excess revenue. The CTX intentionally treats enterprise districts differently from local governments and special districts and these principles established during the creation of the CTX have not changed.

10. Library Districts

The City of North Las Vegas requested an explanation as to why the North Las Vegas Library District does not receive an allocation of CTX revenue while there are eight other library districts statewide that do receive an allocation.

Based on Legislative Counsel Bureau staff's research, at the time that the CTX was created, each of the eight library districts were receiving revenue from SCCRT and/or GST; thus, under the provisions establishing the initial CTX base in Senate Bill 254 of the 1997 Session, these entities were eligible to receive CTX revenue on an ongoing basis beginning in FY 1999.

Assembly Bill 441 (1993) amended the charter of the City of North Las Vegas by authorizing the creation of a library district by the city council. The provisions of the bill included language that specifically prohibited the North Las Vegas Library District from receiving any distribution of SCCRT revenue.

Because the provisions of the bill specifically excluded the North Las Vegas Library District from receiving SCCRT revenue, they were not receiving any portion of the six revenues that make up the first tier of the CTX prior to its creation; thus, under the provisions creating the initial base distributions in Senate Bill 254 of the 1997 Session, the North Las Vegas library district was not eligible to receive any distribution of revenue under the CTX beginning in FY 1999.

The local government working group suggested a need to revisit the history of special district formation in Nevada and in particular, the formation of library districts, including how those districts are funded.

11. Formation of a New Local Government Entity: City of Laughlin

Terry Yurick, representing the Laughlin Economic Development Corporation, requested that the Subcommittee consider and clarify the process and basis for determining the amount of CTX revenue that should be allocated to a new local government entity.

Mr. Yurick requested clarification with regard to the amount of additional CTX that should be allocated to a new city when services are transferred from the county to a new city. Mr. Yurick argued that the current provisions of NRS 360.740 do not specify the scope or menu of transferred services, how to determine the actual transferred costs of the transferred services, how to determine the amount of additional CTX revenue that should be associated with the transferred services, and whether general fund or other revenue transfers are appropriate to offset costs associated with the transferred services.

During the Subcommittee meeting on March 15, 2012, Fiscal Analysis Division staff provided an overview of the CTX provisions regarding a newly created local government or special district (NRS 360.740). At the April 30, 2012, meeting, Terry Rubald, Chief of the Department of Taxation's Local Government Services Division, provided a more detailed presentation on the provisions of NRS 360.740 and also explained the specific information taken into consideration by the Department in applying those provisions.

IV. Final Recommendations of the Subcommittee

Based on the information provided by the local government working group, Legislative Counsel Bureau and Department of Taxation staff, and representatives from various local government entities throughout the state, the Subcommittee considered and adopted a total of five recommendations to be included in a single bill draft request for consideration by the Legislature during the 2013 Legislative Session.

1. Revise the Consumer Price Index adjustment for determining the annual base allocation for local governments and special districts each fiscal year.

The Subcommittee recommended an amendment to NRS 360.680 to require the adjustment to the annual base amount for the percentage change in the Consumer Price Index that is made for local governments and special districts be based on the average percentage change in the Consumer Price Index over the five calendar years immediately preceding the fiscal year for which the CTX allocations will be made. This change would become effective on July 1, 2013, for the distributions beginning in FY 2014, and would not affect any distributions made to enterprise districts.

Based on testimony given by Jeremy Aguero, the local government working group consensus indicated concerns that the current adjustment for inflation – requiring the use of only the annual percentage change in the Consumer Price Index for the prior year – may make the adjustments too volatile due to concerns of deflation or hyperinflation in the future. The usage of a five-year average would smooth out these anomalies and potentially lead to a more stable adjustment. It was also noted that the use of a five-year average percentage change in the Consumer Price Index would be consistent with the formulas for excess distribution of revenue, which require the use of both the five-year average percentage change in population and the five-year average percentage change in assessed value.

2. Revise the calculation of the base allocation amount to be distributed to local governments and special districts each fiscal year.

The Subcommittee recommended an amendment to NRS 360.680 that would require the annual base allocation for each local government and special district to be the total amount of all CTX revenues (base and excess) distributed to that entity in the prior fiscal year, adjusted by the five-year average percentage change in the Consumer Price Index approved in Recommendation 1. This change would become effective on July 1, 2014, for the distributions beginning in FY 2015, and would not affect any distributions made to enterprise districts.

Under current law, the annual base allocation for local governments and special districts is based on the actual amount of base revenue distributed to that entity in the prior fiscal year, adjusted for inflation, and excludes the amount of excess revenue distributed. Testimony from Jeremy Aguero indicated that this distribution method

has resulted in a significant amount of revenue being distributed to each entity as excess revenue – in some cases, as high as 80 percent. The recommendation to include excess revenue in the calculation for the annual base allocation would reduce the percentage that excess revenue comprises of the total CTX revenues distributed each year. Mr. Aguero noted that inclusion of all base and excess revenue in the annual base calculation was part of the original CTX formula, and that it should be restored to its original state.

Mr. Aguero also indicated that the July 1, 2014, effective date of this provision was included so that certain elements of the distribution formula currently in place – specifically, an interlocal agreement for the distribution of excess revenue effective in Clark County for FY 2012 and FY 2013 – would not affect the future distribution of base and excess revenue beginning in FY 2014.

3. Revise the distribution of excess CTX revenue to local governments and special districts at the second tier.

The Subcommittee recommended amendments to NRS 360.690 which would create two separate formulas for the distribution of excess CTX revenue, depending upon the population of the county:

- In counties whose population is less than 100,000 (currently, all counties except for Clark and Washoe), the excess distribution formula would use **one plus** the sum of the five-year average percentage change in population and the five-year average percentage change in assessed value for local governments, and **one plus** the five-year average percentage change in assessed value for special districts.
- In counties whose population is 100,000 or more (currently, Clark and Washoe), the excess distribution formula would use **0.02 plus** the sum of the five-year average percentage change in population and the five-year average percentage change in assessed value for local governments, and **0.02 plus** the five-year average percentage change in assessed value for special districts. **For any local government or special district whose five-year average percentage change in assessed value is less than zero, the calculation of the factor shall use zero for the assessed value change instead of the negative number. Additionally, for any local government whose total factor is calculated to be less than zero, the number zero shall also be used for the total factor.**

Additionally, in those counties whose population is 100,000 or more, if the factor calculated for each local government (excludes special districts) is zero, then any excess revenue that remains in a month shall be distributed among the local governments and special districts in proportion to each entity's base allocation share established under NRS 360.680.

Mr. Aguero's testimony to the Subcommittee indicated that the local government working group believed that it was not possible for the Legislature to create a single, "one-size-fits-all" formula for the distribution of all excess revenues that would create an optimal distribution of revenues in all seventeen counties in the state. Mr. Aguero noted that the one-plus formula was more beneficial to slower-growing entities, while the no-one-plus formula had a greater impact on faster-growing entities.

In creating two separate formulas for excess revenue calculations, Mr. Aguero noted that this particular recommendation addressed concerns from both the rural counties, who indicated reluctance throughout the duration of the interim study in moving away from the one-plus formula, as well as the urban counties, who still largely believed that the formula needed to be more responsive to growth. Testimony provided from various local government representatives indicated that the portions of the recommendation setting the negative average percentage change in assessed value to zero, as well as providing an alternative mechanism for excess revenue distribution when all local governments at a county had a calculation of zero, would potentially alleviate the undesired result of having all of a county's excess revenue distributed to only a few entities in the county.

4. Revise the deadline for a cooperative agreement for an alternative distribution of revenues at the second tier of the CTX.

The Subcommittee recommended amendments to NRS 360.730 that would move the deadline for two or more local governments or special districts who wish to enter into a cooperative agreement for an alternative distribution of CTX second-tier revenues from December 31 of the year immediately preceding the initial fiscal year of distribution to April 1 immediately preceding the initial fiscal year of distribution. The recommendation also requires that each local government or special district planning to enter into a cooperative agreement must provide the Department of Taxation with a notice of intent to enter into a cooperative agreement on or before March 1.

Local government representatives indicated that the current December 1 deadline for an interlocal agreement made it difficult, if not impossible, to react to revenue information given to entities by the Department of Taxation in February or March, which may indicate the need for these entities to enter into an interlocal agreement for the fiscal year beginning on July 1. Representatives from Clark County had been able to work around this issue in the 2011 Session through an amendment in Senate Bill 34 that temporarily extended the deadline in 2011 until May 30, but it was believed a more permanent fix would be needed.

The Department of Taxation indicated that moving the deadline from December 31 to April 1 did not adversely affect the budget building process; however, the department indicated that it would prefer to receive advance notice from affected parties who intended to enter into a cooperative agreement.

5. Revise the period for which certified population estimates used for per-capita distribution of certain revenues at the first tier of the CTX must be utilized.

The Subcommittee recommended an amendment to NRS 360.285 that requires, for any revenue where the distribution is based on population, that the population estimates certified on or before March 1 of each year be used for all distributions attributable to the fiscal year beginning on the July 1 immediately following.

Under current law, the Department of Taxation changes the population percentages used to distribute these revenues at the first tier on July 1 of each year. Due to the Governmental Accounting Standards Board (GASB) rules used by the Department for these revenue sources, revenue generated in May and June (the last two months of each fiscal year) is not distributed to the Local Government Tax Distribution Account until after July 1 of each year. Since these distributions occur after July 1, the department uses the new population percentages based on the latest March 1 estimates in making the first-tier distributions of these revenue sources. Thus, based upon current law, the Department of Taxation, for each fiscal year, distributes ten months of revenue under one set of population numbers, and distributes two months of revenue under another set of numbers. (This results in twelve months of revenue being distributed under each population calculation; however, this twelve-month period does not correspond with the twelve months of the fiscal year.)

This recommendation was brought forth as a technical change by Fiscal Analysis Division staff.

V. Concluding Remarks / Acknowledgements

The Legislative Commission's Subcommittee to Study the Allocation of Money Distributed from the Local Government Tax Distribution Account would like to thank the Department of Taxation as well as all of the local government entities (counties, cities, towns and special districts) across the state for their participation throughout the study. The Subcommittee would also like to thank the Nevada Association of Counties (NACO) and the Nevada League of Cities for facilitating the exchange of information between the Subcommittee and local governments across the state. Additionally, the Subcommittee would like to acknowledge the efforts of Jeremy Aguero of Applied Analysis for his work related to developing the CTX model, facilitating the local government working group meetings, and providing the Subcommittee with status reports on the working group's deliberations.

The Subcommittee members sincerely appreciate the time, expertise and recommendations of everyone who contributed to make the study as comprehensive and thorough as possible. This review would not have been possible without their assistance and cooperation.

Appendix A

Assembly Bill 71

Assembly Bill No. 71–Committee on
Legislative Operations and Elections

CHAPTER.....

AN ACT relating to taxation; directing the Legislative Commission to conduct an interim study concerning the equitable allocation of money distributed from the Local Government Tax Distribution Account; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law requires the deposit of certain proceeds from liquor taxes, cigarette taxes, real property transfer taxes, city-county relief taxes and governmental services taxes into the Local Government Tax Distribution Account. (NRS 369.173, 370.260, 375.070, 377.055, 377.057, 482.181) Under existing law, the Executive Director of the Department of Taxation is required to allocate the money deposited in the Account to local governments, special districts and enterprise districts in each county in accordance with a specified formula. (NRS 360.680, 360.690)

This bill requires the Legislative Commission to appoint a subcommittee to conduct an interim study to examine whether the formula for the allocation of money distributed from the Local Government Tax Distribution Account results in an equitable allocation to all those governmental entities, including any local library districts that do not currently receive such an allocation, and, if not, to consider possible alternative methodologies to achieve a more equitable allocation.

EXPLANATION – Matter in ***bolded italics*** is new; matter between brackets ~~omitted material~~ is material to be omitted.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. 1. The Legislative Commission shall appoint a subcommittee, consisting of three members of the Senate and three members of the Assembly, to conduct a study during the 2011-2013 interim concerning the formula for the allocation of money distributed from the Local Government Tax Distribution Account.

2. The subcommittee appointed pursuant to subsection 1 shall, without limitation:

(a) Review the structural components of the formula used for the allocation of money distributed from the Local Government Tax Distribution Account to local governments, special districts and enterprise districts from the inception of the formula to the present day; and

(b) Examine whether the formula results in an equitable allocation among all those governmental entities, including, without limitation, any local library districts which do not currently receive such an allocation, and, if not, consider possible alternative



methodologies to achieve a more equitable allocation among all those governmental entities.

3. Any recommendations for legislation proposed by the subcommittee must be approved by a majority of the members of the Senate and a majority of the members of the Assembly appointed to the subcommittee.

4. The Legislative Commission shall submit a report of the results of the study and any recommendations for legislation to the 77th Session of the Nevada Legislature.

Sec. 2. This act becomes effective on July 1, 2011.

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Appendix B

CTX Bill Draft Request (BDR 32-247) and Bill Explanation

SUMMARY—Revises various provisions relating to the distribution of certain taxes to local governments. (BDR 32-247)

FISCAL NOTE: Effect on Local Government: May have Fiscal Impact.

Effect on the State: Yes.

AN ACT relating to taxation; revising the provisions relating to the certification of populations by the Governor; revising the provisions relating to the allocation and distribution of taxes from the Local Government Tax Distribution Account; revising the provisions relating to the establishment of an alternative formula for the distribution of taxes from the Local Government Tax Distribution Account by cooperative agreement; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

For purposes of apportioning taxes collected by the Department of Taxation where the basis of the apportionment is the population of the political subdivision, existing law requires the Department to use the populations certified by the Governor. (NRS 360.285) **Section 1** of this bill clarifies that each apportioned payment attributable to a fiscal year must be based upon the Governor's certification made on or before March 1 immediately preceding the fiscal year for which the payment will be made.

Existing law establishes the statutory formulas for distributing tax proceeds from the Local Government Tax Distribution Account to local governments, enterprise districts and special districts. (NRS 360.680, 360.690) **Sections 2-4** of this bill establish different formulas to calculate the distribution of the tax proceeds.

Existing law authorizes the governing bodies of two or more local governments or special districts, or any combination thereof, to enter into a cooperative agreement that sets forth an alternative formula for the distribution of taxes from the Local Government Tax Distribution Account. (NRS 360.730) **Section 5** of this bill changes the date by which a copy of an approved cooperative agreement must be transmitted to the Executive Director of the Department of Taxation from December 1 of the year immediately preceding the initial year of distribution that will be governed by the cooperative agreement to April 1 of the initial year of distribution. **Section 5** also requires local governments and special districts who anticipate being parties to such a cooperative agreement to provide to the Department of Taxation on or before March 1 of the initial year of distribution that will be governed by the cooperative agreement a nonbinding notice of intent to enter into the cooperative agreement.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 360.285 is hereby amended to read as follows:

360.285 1. For the purposes of this title, the Governor shall, on or before March 1 of each year, certify the population of each town, township, city and county in this state as of the immediately preceding July 1 from the determination submitted to the Governor by the Department pursuant to subsection 4 of NRS 360.283.

2. Where any tax is collected by the Department for apportionment in whole or in part to any political subdivision and the basis of the apportionment is the population of the political subdivision, the Department shall use the populations certified by the Governor. The transition from one such certification to the next must be made on July 1 following the certification for use in the fiscal year beginning then. Every payment ~~{before that date}~~ *attributable to a fiscal year* must be based upon the ~~{earlier}~~ certification ~~{and every payment on or after that date must be based upon the later certification.}~~ *made on or before March 1 immediately preceding the fiscal year to which the payment will be attributed.*

Sec. 2. NRS 360.680 is hereby amended to read as follows:

360.680 1. On or before July 1 of each year, the Executive Director shall allocate to each enterprise district an amount equal to the amount that the enterprise district received from the Account in the immediately preceding fiscal year.

2. Except as otherwise provided in NRS 360.690 and 360.730, the Executive Director, after subtracting the amount allocated to each enterprise district pursuant to subsection 1, shall allocate to each local government or special district which is eligible for an allocation from the Account pursuant to NRS 360.670 an amount from the Account that is equal to the amount allocated to the local government or special district for the preceding fiscal year, minus any

excess amount allocated pursuant to subsection 4, 5, 6 or 7 of NRS 360.690, *as that section existed before July 1, 2013*, multiplied by 1 plus the *average* percentage change in the Consumer Price Index (All Items) ~~{for}~~ *over* the ~~{year ending on December 31}~~ *5 calendar years* immediately preceding the year in which the allocation is made.

Sec. 3. NRS 360.680 is hereby amended to read as follows:

360.680 1. On or before July 1 of each year, the Executive Director shall allocate to each enterprise district an amount equal to the amount that the enterprise district received from the Account in the immediately preceding fiscal year.

2. Except as otherwise provided in NRS 360.690 and 360.730, the Executive Director, after subtracting the amount allocated to each enterprise district pursuant to subsection 1, shall allocate to each local government or special district which is eligible for an allocation from the Account pursuant to NRS 360.670 an amount from the Account that is equal to the amount allocated to the local government or special district for the preceding fiscal year ~~{, minus any excess amount allocated pursuant to subsection 4, 5, 6 or 7 of NRS 360.690, as that section existed before July 1, 2013,}~~ multiplied by 1 plus the average percentage change in the Consumer Price Index (All Items) over the 5 calendar years immediately preceding the year in which the allocation is made.

Sec. 4. NRS 360.690 is hereby amended to read as follows:

360.690 1. Except as otherwise provided in NRS 360.730, the Executive Director shall estimate monthly the amount each local government, special district and enterprise district will receive from the Account pursuant to the provisions of this section.

2. The Executive Director shall establish a base monthly allocation for each local government, special district and enterprise district by dividing the amount determined pursuant to NRS 360.680 for each local government, special district and enterprise district by 12, and the State Treasurer shall, except as otherwise provided in subsections 3 to ~~18,~~ 7, inclusive, remit monthly that amount to each local government, special district and enterprise district.

3. If, after making the allocation to each enterprise district for the month, the Executive Director determines there is not sufficient money available in the county's subaccount in the Account to allocate to each local government and special district the base monthly allocation determined pursuant to subsection 2, he or she shall prorate the money in the county's subaccount and allocate to each local government and special district an amount equal to its proportionate percentage of the total amount of the base monthly allocations determined pursuant to subsection 2 for all local governments and special districts within the county. The State Treasurer shall remit that amount to the local government or special district.

4. Except as otherwise provided in subsections ~~15 to 18, inclusive,~~ 6 and 7, *for a county whose population is 100,000 or more*, if the Executive Director determines that there is money remaining in the county's subaccount in the Account after the base monthly allocation determined pursuant to subsection 2 has been allocated to each local government, special district and enterprise district, he or she shall immediately determine and allocate each:

(a) Local government's share of the remaining money by:

(1) Multiplying one-twelfth of the amount allocated pursuant to NRS 360.680 by *0.02* *plus* the sum of ~~the:~~ :

(I) ~~{Average}~~ *The average* percentage of change in the population of the local government over the 5 fiscal years immediately preceding the year in which the allocation is made, as certified by the Governor pursuant to NRS 360.285, except as otherwise provided in subsection ~~{9;}~~ *8*; and

(II) ~~{Average}~~ *The greater of zero or the average* percentage of change in the assessed valuation of the taxable property in the local government, including assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds of minerals, over the year in which the allocation is made, as projected by the Department, and the 4 fiscal years immediately preceding the year in which the allocation is made; and

(2) Using the figure calculated pursuant to subparagraph (1) to calculate and allocate to each local government an amount equal to the proportion that the figure calculated pursuant to subparagraph (1) bears to the total amount of the figures calculated pursuant to subparagraph (1) of this paragraph and subparagraph (1) of paragraph (b), respectively, for the local governments and special districts located in the same county multiplied by the total amount available in the subaccount ~~{;}~~, *except that if the figure calculated pursuant to subparagraph (1) is less than zero, that figure must be treated as being zero for purposes of determining the allocation pursuant to this subparagraph;* and

(b) Special district's share of the remaining money by:

(1) Multiplying one-twelfth of the amount allocated pursuant to NRS 360.680 by *0.02 plus the greater of zero or the* average change in the assessed valuation of the taxable property in the special district, including assessed valuation attributable to a redevelopment agency but

excluding the portion attributable to the net proceeds of minerals, over the year in which the allocation is made, as projected by the Department, and the 4 fiscal years immediately preceding the year in which the allocation is made; and

(2) Using the figure calculated pursuant to subparagraph (1) to calculate and allocate to each special district an amount equal to the proportion that the figure calculated pursuant to subparagraph (1) bears to the total amount of the figures calculated pursuant to subparagraph (1) of this paragraph and subparagraph (1) of paragraph (a), respectively, for the local governments and special districts located in the same county multiplied by the total amount available in the subaccount.

↪ The State Treasurer shall remit the amount allocated to each local government or special district pursuant to this subsection.

5. Except as otherwise provided in subsection ~~16 or~~ 7, *for a county whose population is less than 100,000*, if the Executive Director determines that there is money remaining in the county's subaccount in the Account after the base monthly allocation determined pursuant to subsection 2 has been allocated to each local government, special district and enterprise district , ~~{and that the average amount over the 5 fiscal years immediately preceding the year in which the allocation is made of the assessed valuation of taxable property which is attributable to the net proceeds of minerals in the county is equal to at least \$50,000,000 or that the average percentage of change in population of the county over the 5 fiscal years immediately preceding the year in which the allocation is made, as certified by the Governor pursuant to NRS 360.285, except as otherwise provided in subsection 9, is a negative figure or that the average amount over the 5~~

~~fiscal years immediately preceding the year in which the allocation is made of the assessed valuation of taxable property which is attributable to the net proceeds of minerals in the county is equal to at least \$50,000,000 and the average percentage of change in population of the county over the 5 fiscal years immediately preceding the year in which the allocation is made, as certified by the Governor pursuant to NRS 360.285, except as otherwise provided in subsection 9, is a negative figure,]~~ the Executive Director shall immediately determine and allocate each:

(a) Local government's share of the remaining money by:

(1) Multiplying one-twelfth of the amount allocated pursuant to NRS 360.680 by 1 plus the sum of the:

(I) Average percentage of change in the population of the local government over the 5 fiscal years immediately preceding the year in which the allocation is made, as certified by the Governor pursuant to NRS 360.285, except as otherwise provided in subsection ~~[9;]~~ 8; and

(II) Average percentage of change in the assessed valuation of the taxable property in the local government, including assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds of minerals, over the year in which the allocation is made, as projected by the Department, and the 4 fiscal years immediately preceding the year in which the allocation is made; and

(2) Using the figure calculated pursuant to subparagraph (1) to calculate and allocate to each local government an amount equal to the proportion that the figure calculated pursuant to subparagraph (1) bears to the total amount of the figures calculated pursuant to subparagraph (1) of this paragraph and subparagraph (1) of paragraph (b), respectively, for the local governments

and special districts located in the same county multiplied by the total amount available in the subaccount; and

(b) Special district's share of the remaining money by:

(1) Multiplying one-twelfth of the amount allocated pursuant to NRS 360.680 by 1 plus the average change in the assessed valuation of the taxable property in the special district, including assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds of minerals, over the year in which the allocation is made, as projected by the Department, and the 4 fiscal years immediately preceding the year in which the allocation is made; and

(2) Using the figure calculated pursuant to subparagraph (1) to calculate and allocate to each special district an amount equal to the proportion that the figure calculated pursuant to subparagraph (1) bears to the total amount of the figures calculated pursuant to subparagraph (1) of this paragraph and subparagraph (1) of paragraph (a), respectively, for the local governments and special districts located in the same county multiplied by the total amount available in the subaccount.

↪ The State Treasurer shall remit the amount allocated to each local government or special district pursuant to this subsection.

6. Except as otherwise provided in subsection ~~18.1~~ 7, if the Executive Director determines that there is money remaining in the county's subaccount in the Account after the base monthly allocation determined pursuant to subsection 2 has been allocated to each local government, special district and enterprise district ~~1, that the sum of the average percentage of change in~~

~~population and the average percentage of change in the assessed valuation of taxable property, as calculated pursuant to subparagraph (1) of paragraph (a) of subsection 4 for each of those local governments, is a negative figure, and that the average change in the assessed valuation of the taxable property in each of those special districts, as calculated pursuant to subparagraph (1) of paragraph (b) of subsection 4, is a negative figure, he or she shall immediately determine and allocate each:~~

~~—(a) Local government's share of the remaining money by:~~

~~——(1) Multiplying one-twelfth of the amount allocated pursuant to NRS 360.680 by 1 plus the sum of the:~~

~~———(I) Average percentage of change in the population of the local government over the 5 fiscal years immediately preceding the year in which the allocation is made, as certified by the Governor pursuant to NRS 360.285, except as otherwise provided in subsection 9; and~~

~~———(II) Average percentage of change in the assessed valuation of the taxable property in the local government, including assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds of minerals, over the year in which the allocation is made, as projected by the Department, and the 4 fiscal years immediately preceding the year in which the allocation is made; and~~

~~——(2) Using the figure calculated pursuant to subparagraph (1) to calculate and allocate to each local government an amount equal to the proportion that the figure calculated pursuant to subparagraph (1) bears to the total amount of the figures calculated pursuant to subparagraph (1) of this paragraph and subparagraph (1) of paragraph (b), respectively, for the local governments~~

~~and special districts located in the same county multiplied by the total amount available in the subaccount; and~~

~~—(b) Special district's share of the remaining money by:~~

~~——(1) Multiplying one twelfth of the amount allocated pursuant to NRS 360.680 by 1 plus the average change in the assessed valuation of the taxable property in the special district, including assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds of minerals, over the year in which the allocation is made, as projected by the Department, and the 4 fiscal years immediately preceding the year in which the allocation is made; and~~

~~——(2) Using the figure calculated pursuant to subparagraph (1) to calculate and allocate to each special district an amount equal to the proportion that the figure calculated pursuant to subparagraph (1) bears to the total amount of the figures calculated pursuant to subparagraph (1) of this paragraph and subparagraph (1) of paragraph (a), respectively, for the local governments and special districts located in the same county multiplied by the total amount available in the subaccount.~~

➡The} in a county whose population is 100,000 or more, and if the calculations performed pursuant to paragraph (a) of subsection 4 require the use of zero for each local government, the Executive Director shall allocate to each local government and special district an amount equal to its proportionate percentage of the total amount of the base monthly allocations determined pursuant to subsection 2 for all local governments and special districts within the

county. The State Treasurer shall remit the amount allocated to each local government or special district pursuant to this subsection.

7. ~~{Except as otherwise provided in subsection 8, if the Executive Director determines that there is money remaining in the county's subaccount in the Account after the base monthly allocation determined pursuant to subsection 2 has been allocated to each local government, special district and enterprise district, that the sum of the average percentage of change in population and the average percentage of change in the assessed valuation of taxable property, as calculated pursuant to subparagraph (1) of paragraph (a) of subsection 4 for each of those local governments, is a negative figure, and that the average change in the assessed valuation of the taxable property in any of those special districts, as calculated pursuant to subparagraph (1) of paragraph (b) of subsection 4, is a positive figure, he or she shall immediately determine and allocate each:~~

~~—(a) Local government's share of the remaining money by:~~

~~——(1) Multiplying one twelfth of the amount allocated pursuant to NRS 360.680 by 1 plus the sum of the:~~

~~———(I) Average percentage of change in the population of the local government over the 5 fiscal years immediately preceding the year in which the allocation is made, as certified by the Governor pursuant to NRS 360.285, except as otherwise provided in subsection 9; and~~

~~———(II) Average percentage of change in the assessed valuation of the taxable property in the local government, including assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds of minerals, over the year in which the~~

~~allocation is made, as projected by the Department, and the 4 fiscal years immediately preceding the year in which the allocation is made; and~~

~~—— (2) Using the figure calculated pursuant to subparagraph (1) to calculate and allocate to each local government an amount equal to the proportion that the figure calculated pursuant to subparagraph (1) bears to the total amount of the figures calculated pursuant to subparagraph (1) of this paragraph and subparagraph (1) of paragraph (b), respectively, for the local governments and special districts located in the same county multiplied by the total amount available in the subaccount; and~~

~~—— (b) Special district's share of the remaining money by:~~

~~—— (1) Multiplying one-twelfth of the amount allocated pursuant to NRS 360.680 by 1 plus the sum of the:~~

~~—— (I) Average percentage of change in the population of the county over the 5 fiscal years immediately preceding the year in which the allocation is made, as certified by the Governor pursuant to NRS 360.285, except as otherwise provided in subsection 9; and~~

~~—— (II) Average change in the assessed valuation of the taxable property in the special district, including assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds of minerals, over the year in which the allocation is made, as projected by the Department, and the 4 fiscal years immediately preceding the year in which the allocation is made; and~~

~~—— (2) Using the figure calculated pursuant to subparagraph (1) to calculate and allocate to each special district an amount equal to the proportion that the figure calculated pursuant to~~

~~subparagraph (1) bears to the total amount of the figures calculated pursuant to subparagraph (1) of this paragraph and subparagraph (1) of paragraph (a), respectively, for the local governments and special districts located in the same county multiplied by the total amount available in the subaccount.~~

~~→ The State Treasurer shall remit the amount allocated to each local government or special district pursuant to this subsection.~~

~~—8.]~~ The Executive Director shall not allocate any amount to a local government or special district pursuant to subsection 4, 5 ~~[6]~~ or 6 ~~[or 7]~~ unless the amount distributed and allocated to each of the local governments and special districts in the county in each preceding month of the fiscal year in which the allocation is to be made was at least equal to the base monthly allocation determined pursuant to subsection 2. If the amounts distributed to the local governments and special districts in the county for the preceding months of the fiscal year in which the allocation is to be made were less than the base monthly allocation determined pursuant to subsection 2 and the Executive Director determines there is money remaining in the county's subaccount in the Account after the distribution for the month has been made, he or she shall:

(a) Determine the amount by which the base monthly allocations determined pursuant to subsection 2 for each local government and special district in the county for the preceding months of the fiscal year in which the allocation is to be made exceeds the amounts actually received by the local governments and special districts in the county for the same period; and

(b) Compare the amount determined pursuant to paragraph (a) to the amount of money remaining in the county's subaccount in the Account to determine which amount is greater.

↪ If the Executive Director determines that the amount determined pursuant to paragraph (a) is greater, he or she shall allocate the money remaining in the county's subaccount in the Account pursuant to the provisions of subsection 3. If the Executive Director determines that the amount of money remaining in the county's subaccount in the Account is greater, he or she shall first allocate the money necessary for each local government and special district to receive the base monthly allocation determined pursuant to subsection 2 and the State Treasurer shall remit that money so allocated. The Executive Director shall allocate any additional money in the county's subaccount in the Account pursuant to the provisions of subsection 4, 5 ~~or 6~~ **or 6** , ~~or 7,~~ as appropriate.

~~9.~~ **8.** The percentage changes in population calculated pursuant to subsections 4 ~~to 7,~~ **inclusive,** **and 5** must:

(a) Except as otherwise provided in paragraph (c), if the Bureau of the Census of the United States Department of Commerce issues population totals that conflict with the totals certified by the Governor pursuant to NRS 360.285, be an estimate of the change in population for the calendar year, based upon the population totals issued by the Bureau of the Census.

(b) If a new method of determining population is established pursuant to NRS 360.283, be adjusted in a manner that will result in the percentage change being based on population determined pursuant to the new method for both the fiscal year in which the allocation is made and the fiscal year immediately preceding the year in which the allocation is made.

(c) If a local government files a formal appeal with the Bureau of the Census concerning the population total of the local government issued by the Bureau of the Census, be calculated using

the population total certified by the Governor pursuant to NRS 360.285 until the appeal is resolved. If additional money is allocated to the local government because the population total certified by the Governor is greater than the population total issued by the Bureau of the Census, the State Treasurer shall deposit that additional money in a separate interest-bearing account. Upon resolution of the appeal, if the population total finally determined pursuant to the appeal is:

(1) Equal to or less than the population total initially issued by the Bureau of the Census, the State Treasurer shall transfer the total amount in the separate interest-bearing account, including interest but excluding any administrative fees, to the Local Government Tax Distribution Account for allocation among the local governments in the county pursuant to subsection 4, 5 ~~H~~ or 6 , ~~for 7,~~ as appropriate.

(2) Greater than the population total initially issued by the Bureau of the Census, the Executive Director shall calculate the amount that would have been allocated to the local government pursuant to subsection 4, 5 ~~H~~ or 6 , ~~for 7,~~ as appropriate, if the population total finally determined pursuant to the appeal had been used and the State Treasurer shall remit to the local government an amount equal to the difference between the amount actually distributed and the amount calculated pursuant to this subparagraph or the total amount in the separate interest-bearing account, including interest but excluding any administrative fees, whichever is less.

~~10.~~ 9. On or before February 15 of each year, the Executive Director shall provide to each local government, special district and enterprise district a preliminary estimate of the revenue it will receive from the Account for that fiscal year.

~~11.~~ 10. On or before March 15 of each year, the Executive Director shall:

(a) Make an estimate of the receipts from each tax included in the Account on an accrual basis for the next fiscal year in accordance with generally accepted accounting principles, including an estimate for each county of the receipts from each tax included in the Account; and

(b) Provide to each local government, special district and enterprise district an estimate of the amount that local government, special district or enterprise district would receive based upon the estimate made pursuant to paragraph (a) and calculated pursuant to the provisions of this section.

~~{12}~~ **11.** A local government, special district or enterprise district may use the estimate provided by the Executive Director pursuant to subsection ~~{11}~~ **10** in the preparation of its budget.

Sec. 5. NRS 360.730 is hereby amended to read as follows:

360.730 1. The governing bodies of two or more local governments or special districts, or any combination thereof, may, pursuant to the provisions of NRS 277.045, enter into a cooperative agreement that sets forth an alternative formula for the distribution of the taxes included in the Account to the local governments or special districts which are parties to the agreement. The governing bodies of each local government or special district that is a party to the agreement must approve the alternative formula by majority vote.

2. *If a person who is authorized to make administrative decisions regarding cooperative agreements on behalf of a local government or special district anticipates that the local government or special district will enter into a cooperative agreement pursuant to subsection 1, a notice of intent must be provided to the Department on or before March 1 of the initial year of distribution that will be governed by the cooperative agreement. The notice:*

(a) May be submitted by the authorized person without a vote of the governing body of the local government or special district;

(b) Must be submitted on a form prescribed by the Department and, to the extent possible, be accompanied by an explanation of the provisions anticipated to be included in the cooperative agreement; and

(c) Is not binding on the local government or special district on whose behalf it is submitted, and does not prevent the local government or special district from negotiating or entering into a cooperative agreement after March 1 of the initial year of distribution that will be governed by the cooperative agreement.

3. The county clerk of a county in which a local government or special district that is a party to a cooperative agreement pursuant to subsection 1 is located shall transmit a copy of the cooperative agreement to the Executive Director:

(a) Within 10 days after the agreement is approved by each of the governing bodies of the local governments or special districts that are parties to the agreement; and

(b) Not later than ~~December 31 of the year immediately preceding~~ *April 1* of the initial year of distribution that will be governed by the cooperative agreement.

~~3.3~~ 4. The governing bodies of two or more local governments or special districts shall not enter into more than one cooperative agreement pursuant to subsection 1 that involves the same local governments or special districts.

~~{4.}~~ 5. If at least two cooperative agreements exist among the local governments and special districts that are located in the same county, the Executive Director shall ensure that the terms of those cooperative agreements do not conflict.

~~{5.}~~ 6. Any local government or special district that is not a party to a cooperative agreement pursuant to subsection 1 must continue to receive money from the Account pursuant to the provisions of NRS 360.680 and 360.690.

~~{6.}~~ 7. The governing bodies of the local governments and special districts that have entered into a cooperative agreement pursuant to subsection 1 may, by majority vote, amend the terms of the agreement. The governing bodies shall not amend the terms of a cooperative agreement more than once during the first 2 years after the cooperative agreement is effective and once every year thereafter, unless the Committee on Local Government Finance approves the amendment. The provisions of this subsection do not apply to any interlocal agreements for the consolidation of governmental services entered into by local governments or special districts pursuant to the provisions of NRS 277.080 to 277.180, inclusive, that do not relate to the distribution of taxes included in the Account.

~~{7.}~~ 8. A cooperative agreement executed pursuant to this section may not be terminated unless the governing body of each local government or special district that is a party to a cooperative agreement pursuant to subsection 1 agrees to terminate the agreement.

~~{8.}~~ 9. For each fiscal year the cooperative agreement is in effect, the Executive Director shall continue to calculate the amount each local government or special district that is a party to a

cooperative agreement pursuant to subsection 1 would receive pursuant to the provisions of NRS 360.680 and 360.690.

~~{9.}~~ **10.** If the governing bodies of the local governments or special districts that are parties to a cooperative agreement terminate the agreement pursuant to subsection ~~{7.}~~ **8**, the Executive Director must distribute to those local governments or special districts an amount equal to the amount the local government or special district would have received pursuant to the provisions of NRS 360.680 and 360.690 according to the calculations performed pursuant to subsection ~~{8.}~~ **9**.

Sec. 6. NRS 354.59813 is hereby amended to read as follows:

354.59813 1. In addition to the allowed revenue from taxes ad valorem determined pursuant to NRS 354.59811, if the estimate of the revenue available from the supplemental city-county relief tax to the county as determined by the Executive Director of the Department of Taxation pursuant to the provisions of subsection ~~{11.}~~ **10** of NRS 360.690 is less than the amount of money that would be generated by applying a tax rate of \$1.15 per \$100 of assessed valuation to the assessed valuation of the county, except any assessed valuation attributable to the net proceeds of minerals, the governing body of each local government may levy an additional tax ad valorem for operating purposes. The total tax levied by the governing body of a local government pursuant to this section must not exceed a rate calculated to produce revenue equal to the difference between the:

(a) Amount of revenue from supplemental city-county relief tax estimated to be received by the county pursuant to subsection ~~{11.}~~ **10** of NRS 360.690; and

(b) The tax that the county would have been estimated to receive if the estimate for the total revenue available from the tax was equal to the amount of money that would be generated by applying a tax rate of \$1.15 per \$100 of assessed valuation to the assessed valuation of the county,

↳ multiplied by the proportion determined for the local government pursuant to subparagraph (2) of paragraph (a) of subsection 4 of NRS 360.690, subparagraph (2) of paragraph (a) of *subsection 5 of NRS 360.690 or* subsection 6 of NRS ~~[360.690 or subparagraph (2) of paragraph (a) of subsection 7 of NRS]~~ 360.690, as appropriate.

2. Any additional taxes ad valorem levied as a result of the application of this section must not be included in the base from which the allowed revenue from taxes ad valorem for the next subsequent year is computed.

3. As used in this section, “local government” has the meaning ascribed to it in NRS 360.640.

Sec. 7. NRS 354.598747 is hereby amended to read as follows:

354.598747 1. To calculate the amount to be distributed pursuant to the provisions of NRS 360.680 and 360.690 from a county’s subaccount in the Local Government Tax Distribution Account to a local government, special district or enterprise district after it assumes the functions of another local government, special district or enterprise district:

(a) Except as otherwise provided in this section, the Executive Director of the Department of Taxation shall:

(1) Add the amounts calculated pursuant to subsection 1 or 2 of NRS 360.680 for each local government, special district or enterprise district and allocate the combined amount to the local government, special district or enterprise district that assumes the functions; and

(2) If applicable, add the average change in population and average change in the assessed valuation of taxable property that would otherwise be allowed to the local government or special district whose functions are assumed, including the assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds of minerals, pursuant to subsection 4 ~~1, 5, 6 or 7~~ **or 5** of NRS 360.690, as appropriate, to the average change in population and average change in assessed valuation for the local government, special district or enterprise district that assumes the functions.

(b) If two or more local governments, special districts or enterprise districts assume the functions of another local government, special district or enterprise district, the additional revenue must be divided among the local governments, special districts or enterprise districts that assume the functions on the basis of the proportionate costs of the functions assumed.

↪ The Nevada Tax Commission shall not allow any increase in the allowed revenue from the taxes contained in the county's subaccount in the Local Government Tax Distribution Account if the increase would result in a decrease in revenue of any local government, special district or enterprise district in the county that does not assume those functions. If more than one local government, special district or enterprise district assumes the functions, the Nevada Tax Commission shall determine the appropriate amounts calculated pursuant to subparagraphs (1) and (2) of paragraph (a).

2. If a city disincorporates, the board of county commissioners of the county in which the city is located must determine the amount the unincorporated town created by the disincorporation will receive pursuant to the provisions of NRS 360.600 to 360.740, inclusive.

3. As used in this section:

(a) "Enterprise district" has the meaning ascribed to it in NRS 360.620.

(b) "Local government" has the meaning ascribed to it in NRS 360.640.

(c) "Special district" has the meaning ascribed to it in NRS 360.650.

Sec. 8. 1. This act becomes effective upon passage and approval for the purposes of performing any preparatory administrative tasks that are necessary to carry out the provisions of this act.

2. This section and sections 1, 2 and 4 to 7, inclusive, of this act become effective on July 1, 2013.

3. Section 3 of this act becomes effective on July 1, 2014.

Appendix B

Bill Explanation – CTX Subcommittee Bill Draft Request

Section 1: Amends NRS 360.285, which requires the certification of the population of each town, township, city and county in the state by the Governor on or before March 1 of each year, to require that each payment of taxes distributed based on these certified population estimates for a fiscal year be based on the estimates certified on or before March 1 immediately preceding the fiscal year for which the payment is made.

Current law requires that each payment made on or after July 1 be made using the latest certification, while each payment made before July 1 be made using the earlier certification. Because the state of Nevada's modified accrual accounting system requires the distribution of May and June revenues after July 1, current law requires the Department of Taxation to use the earlier certification for ten months of distribution of certain taxes in a fiscal year, and to use the later certification for the last two months, since their distribution occurs after July 1.

The proposed change to Section 1 requires that, for any distribution of revenue by the Department of Taxation which is based on population estimates, the same certified population estimate is used for all twelve months of a fiscal year.

Section 2: Amends NRS 360.680, which governs the annual base allocation of revenue from the Local Government Tax Distribution Account to local governments, special districts, and enterprise districts, to require that annual inflation adjustments to the base amount for local governments and special districts be the average percentage change in the Consumer Price Index for the five calendar years immediately preceding the year in which the annual base allocation is made.

Under current law, the Department of Taxation, in calculating the annual base allocation for a local government or special district, is required to adjust the total revenue received by that entity in the prior fiscal year, excluding any excess revenue distributed to that entity, by the percentage change in the Consumer Price Index for the prior calendar year.

The provisions of Section 2 become effective on July 1, 2013, and expire by limitation on June 30, 2014, and are replaced by the provisions of Section 3 below, effective July 1, 2014.

Section 3: Amends NRS 360.680, which governs the annual base allocation of revenue from the Local Government Tax Distribution Account to local governments, special districts, and enterprise districts, to require that the annual base allocation for each local government and special district **must include all revenue (base and excess)** received by the entity in the prior fiscal year, adjusted by the average percentage change in the Consumer Price Index for the five calendar years immediately preceding the year in which the annual base allocation is made.

Under current law, the annual base allocation to each local government and special district is the total amount of revenue received by the local government or special district in the prior fiscal year, **excluding excess revenue**, adjusted by the percentage change in the Consumer Price Index for the prior calendar year.

Section 4: Amends NRS 360.690, which governs the distribution of any revenue remaining after all base distributions have been made to local governments, special districts, and enterprise districts, to make several changes to the distribution of these revenues, as follows:

- For counties whose population is less than 100,000 (all counties except for Clark and Washoe), the excess distribution formula would use **one plus** the sum of the 5-year average percentage change in population and the 5-year average percentage change in assessed value for local governments, and **one plus** the 5-year average percentage change in assessed value for special districts.
- For counties whose population is 100,000 or more (Clark and Washoe), the excess distribution formula would use **0.02 plus** the sum of the 5-year average percentage change in population and the 5-year average percentage change in assessed value for local governments, and **0.02 plus** the 5-year average percentage change in assessed value for special districts.

For any local government or special district whose 5-year average change in assessed value is less than zero, the calculation of the factor shall use zero for the assessed value change instead of the negative number. Additionally, for any local government whose total factor is calculated to be less than zero based on the 5-year average percentage change in assessed value and population, the number zero shall also be used for the total factor.

- In a county whose population is 100,000 or more, if the factor calculated for all local governments in the county is zero, then any excess revenue that remains in a month shall be distributed among the local governments and special districts in proportion to each entity's base allocation share.

- The alternative excess distribution formulas currently in subsections 5, 6, and 7 of NRS 360.690 are repealed.

Under current law, the Department of Taxation is required to distribute excess revenue in the following manner:

- 1) For local governments, the factor used to determine the distribution of excess revenue is calculated by taking the sum of the 5-year average percentage change in population and the 5-year average percentage change in assessed value.
- 2) For special districts, the factor used to determine the distribution of excess revenue is calculated by taking the 5-year average percentage change in assessed value.
- 3) Each local government's and special district's monthly base distribution is multiplied by the factors determined for that entity.
- 4) The calculations are added together to create a total for all local governments and special districts, and any excess distribution is distributed based on the proportion that each local government and special district's calculation comprises of the total.

Under certain circumstances, alternative formulas are used to calculate the shares of excess revenue for local governments and special districts in a county, as follows:

- Under subsection 5 of NRS 360.690, if the average net proceeds of minerals in a county over the previous five fiscal years exceeds \$50 million, if the 5-year average percentage change in population in the county is negative, or if both of these conditions occur, then the number one is added to each local government and special district's factor in making the calculations.
- Under subsection 6 of NRS 360.690, if the average change in population and assessed value in each local government is negative, and the average change in assessed value in each special district is negative, then the number one is added to each local government and special district's factor in making the calculations.
- Under subsection 7 of NRS 360.690, if the average change in population and assessed value in each local government is negative, but the average change in assessed value in any special district is positive, then the number one is added to each local government and special district's factor in making the calculations, and the percentage change in population for the county is also added to each special district's factor.

Section 5: Amends NRS 360.730, which allows two or more local governments, special districts, or any combination thereof to enter into a cooperative agreement for an alternative distribution of revenues from the Local Government Tax Distribution Account, to change the deadline by which a cooperative agreement must be submitted to the Department of Taxation to April 1 immediately preceding the initial year of distribution that will be governed by the cooperative agreement.

Section 5 also requires a person authorized to make administrative decisions regarding cooperative agreements on behalf of a local government or special district who anticipates that the local government or special district will enter into a cooperative agreement to provide notice of the intent to enter into an agreement to the Department of Taxation, on a form prescribed by the Department, on or before March 1 immediately preceding the initial year of distribution that will be governed by the Department. The notice of intent must, to the extent possible, include a description of the provisions to be included in the agreement and may be submitted by that authorized person without a vote of the governing body of the local government or special district. However, the notice of intent is not binding on that local government or special district, and it does not prevent the local government or special district from negotiating or entering into a cooperative agreement after March 1 of the initial year of distribution, so long as the final agreement is received by the Department of Taxation on or before April 1.

Under current law, a cooperative agreement must be received by the Department of Taxation from each local government and special district whose governing body has approved the agreement no later than December 31 of the year immediately preceding the initial year of distribution that will be governed by the cooperative agreement.

Section 6: Amends NRS 354.59813, which allows local governments to impose an additional ad valorem property tax rate if supplemental city-county relief tax (SCCRT) revenue does not meet a certain threshold, to reflect subsection changes made to NRS 360.690, as amended by Section 4 of this act.

Section 7: Amends NRS 354.598747, which determines the distribution of consolidated tax revenue at the second tier for a local government, special district, or enterprise district who assumes the functions of another local government, special district, or enterprise district, to reflect subsection changes made to NRS 360.690, as amended by Section 4 of this act.

Section 8: This act becomes effective upon passage and approval for the purposes of performing any preparatory administrative tasks that are necessary to carry out the provisions of this act.

This section and sections 1, 2, and 4 to 7, inclusive, become effective on July 1, 2013.

Section 3 becomes effective on July 1, 2014.

Appendix C

History and Overview of the Local Government Tax Distribution Account

Appendix C

History and Overview of the Local Government Tax Distribution Account

The Local Government Tax Distribution Account, originally created by the Legislature in Senate Bill 254 of the 1997 Session, is the statutory name of the account used by the Department of Taxation to aggregate and distribute revenues from six different taxes that are collected at the state level, to various local government entities in all seventeen counties throughout the state. The distribution mechanism, informally referred to as the “Consolidated Tax Distribution,” or CTX for short, is a series of statutory formulas that first distributes revenue from the following sources at the first tier – that is, from the state to a separate account for each of the seventeen counties:

- **Basic City-County Relief Tax (BCCRT):** Proceeds from the BCCRT, which is a portion of the state’s sales and use tax rate equal to 0.5 percent, are remitted to the county in which the taxable sale occurred for in-state sales. Out-of-state sales where this tax is collected are distributed at the first tier based on the population of each county as a percentage of the statewide population.
- **Supplemental City-County Relief Tax (SCCRT):** Proceeds from the SCCRT, which is a portion of the state’s sales and use tax rate equal to 1.75 percent, are first remitted to certain guaranteed counties, whose monthly distribution is calculated through a statutory formula. Other non-guaranteed counties then receive their share of the remaining revenue based upon their share of total SCCRT collections among the non-guaranteed counties.
- **Governmental Services Tax (GST):** Proceeds from the GST, which is the tax levied based on the value of a registered vehicle in the state at a rate of 4 cents per dollar of determined value, are distributed first to the State General Fund and then to school districts throughout the state. The amounts remaining after these distributions are made are placed into the CTX distribution for each county, with the revenue remaining in the county in which the vehicle is registered.
- **Real Property Transfer Tax (RPTT):** The RPTT is the tax levied at the time of a transfer of title of real property whose value exceeds \$100. Proceeds from a portion of the RPTT equal to 55 cents per \$500 of value are deposited into the CTX distribution at the first tier based on the county where the real property is located.
- **Cigarette Tax:** The cigarette tax is an excise tax levied at the wholesale level on each package of cigarettes to be sold in Nevada. Proceeds from a portion of the cigarette tax equal to 10 cents per pack are distributed at the first tier based on the population of each county as a percentage of the statewide population.
- **Liquor Tax:** The liquor tax is an excise tax levied at the wholesale level on beer, wine, and other liquors to be sold in Nevada. Proceeds from a portion of the liquor tax equal to 50 cents per gallon of any liquor above 22 percent alcohol by volume are distributed at the first tier based on the population of each county as a percentage of the statewide population.

On a monthly basis, the Department of Taxation is required to make the first-tier distributions of each of these revenues to each of seventeen sub-accounts – one for each county in the state. These first tier revenues are then distributed to the entities within the county that are eligible to receive CTX revenue – enterprise districts, local governments, and special districts – at the second tier of the CTX.

Chapter 360 of the Nevada Revised Statutes, which governs the CTX, currently differentiates local entities eligible to receive CTX revenue into three distinct categories:

- **Enterprise Districts:** Enterprise districts are entities that receive CTX revenues that are not counties, cities, or towns, and that were determined to be an enterprise district by the Executive Director of the Department of Taxation pursuant to NRS 360.620. There are currently a total of fourteen enterprise districts, including various water, sanitation, and television districts throughout the state.
- **Local governments:** Local governments are counties, cities, and towns that receive CTX revenue pursuant to NRS 360.640.
- **Special districts:** Special districts are all other entities that are not either enterprise districts or local governments and who receive revenue pursuant to NRS 360.650.

The monthly amount of revenue that is distributed from the county sub-account at the first tier to each of the eligible entities within that county at the second tier is calculated based on a two-part process that first determines a base share for each entity, and then a second “excess” share if any revenue remains after all base distributions have been made. For the base distribution, the following rule is used:

- **Enterprise districts** receive a monthly base distribution equal to one-twelfth of the annual base distribution received by that entity in the prior fiscal year. The distribution to the enterprise districts is always done before the distribution to the local governments and special districts.
- **Local governments and special districts** receive a monthly base distribution equal to one-twelfth of the annual base distribution received by that entity in the prior fiscal year, adjusted by the percentage change in the Consumer Price Index in the immediately preceding calendar year.

If the Department of Taxation, after making the distribution to enterprise districts, determines that there is not sufficient revenue to distribute the full monthly base amount to the local governments and special districts, then the remaining amount is proportionately distributed to each local government and special district based on the percentage that each entity’s monthly base amount makes up the total base amount for each of these entities in the county.

If the Department of Taxation, after making the distribution to enterprise districts, determines that there is more than sufficient revenue to distribute the full monthly base amount to the local governments and special districts, then it must determine whether there were any prior months in the fiscal year where there was not sufficient revenue to make the full base distribution to entities in a month. This revenue must be used, if necessary, to make up the base distributions in prior months where revenue was not sufficient to fully fund the base distribution.

If there is revenue remaining after all previous months' base distributions have been backfilled, or if there are no prior months where there was not sufficient revenue to make the base distribution, then the revenue is considered to be "excess" revenue and is distributed under a separate set of formulas to local governments and special districts (enterprise districts are not entitled to excess revenue):

- **For local governments**, each entity's share is determined by taking the entity's base revenue, multiplied by the sum of the average change in population in the entity over the prior five calendar years and the average change in assessed value in the entity over the prior five calendar years.
- **For special districts**, each entity's share is determined by taking the entity's base revenue, multiplied by the average change in assessed value in the entity over the prior five calendar years.

These calculations are informally known as the "no one-plus formula," because the formula does not require the addition of the number one to the sum of population and assessed value changes.

The above calculations for all local governments and special districts in the county are added together to generate a total, and each entity's excess distribution share is its percentage of the total.

Under current law, there are alternative calculations that are required under certain circumstances:

- If the average net proceeds of minerals in a county over the previous five fiscal years exceeds \$50 million; if the five-year average percentage change in population in the county is negative; or if both of these conditions occur, then the number one is added to each local government and special district's factor in making the calculations.
- If the average change in population and assessed value in each local government is negative, and the average change in assessed value in each special district is negative, then the number one is added to each local government and special district's factor in making the calculations.

- If the average change in population and assessed value in each local government is negative, but the average change in assessed value in any special district is positive, then the number one is added to each local government and special district's factor in making the calculations, and the percentage change in population for the county is also added to each special district's factor.

The first two of these alternative calculation methods are informally known as the “one-plus formula” because of the requirement to add one to the sum of the population and assessed value before multiplying this number by the entity’s base amount. The third alternative calculation is known informally as the “modified one-plus formula,” since it requires that the county’s population change be added to each special district’s change in assessed value.

Like the no one-plus formula, the excess revenue distribution for each entity under the one-plus formula is the share of each entity’s calculation of the total, when all calculations are added together for the entities in each county.

Entities Eligible to Receive CTX Distributions

Chapter 360 of NRS classifies the three types of entities that are eligible to receive some portion of CTX revenue; however, it does not specifically determine that any particular entity will be entitled to revenue. When the CTX was originally put into place, the entities who were eligible to receive revenue from the CTX were those entities who were receiving at least one of the six revenues dedicated to the CTX before the transition to the CTX in FY 1999.

Prior to FY 1999, the six revenues were distributed among local government entities as follows:

- **BCCRT:** Distribution of BCCRT revenue to entities within a county, after the distribution had been made to that county, depended on the number of incorporated cities located within the county:
 - o In counties with no incorporated cities, the county general fund received all BCCRT revenues
 - o In counties with one incorporated city, the revenue was split between the city and county based on population
 - o In counties with two or more incorporated cities, the revenue was split between the cities based on population, and the county received no revenue
 - o In Carson City, the city general fund received all BCCRT revenues
- **SCCRT:** Distribution of SCCRT revenue was based on certain statutory formulas that took into account the amount of property tax revenue that was lost as a result of the reduction of the maximum property tax rate from \$5 to \$3.64 during the 1981 Legislative Session. (This effectively limited the distribution of SCCRT revenue only to those entities who had a property tax rate in 1981.)

- **GST:** GST revenue was distributed among the school district and other entities in a county based upon the property tax revenue that would have been generated in that county using the school district's property rate in FY 1979 (including the current year's debt rate, if higher than FY 1979) and the remaining entities' property tax rates in FY 1981. These calculations were used to determine the shares for each entity in the county.
- **RPTT:** RPTT revenue was distributed based on the number of incorporated cities in the county:
 - o If the county had no incorporated cities, the county general fund received all of the revenue.
 - o If the county had one or more incorporated city, the county received 25 percent of the revenue, and the remaining 75 percent of the revenue was distributed as follows:
 - If the county had one incorporated city, the 75 percent was distributed between the city and county based on population.
 - If the county had two or more incorporated cities, the 75 percent was distributed between the cities based on population, and the county would receive no additional revenue.
- **Cigarette Tax:** Proceeds from the cigarette tax revenue were distributed not only based on the number of cities within a county, but also were dependent upon the size of the county itself.
 - o If the county's population was 5,000 or more and:
 - Had no incorporated cities, the county received all of the revenue.
 - Had one incorporated city, the county and city divided the revenue based on population.
 - Had two or more incorporated cities, the cities divided the revenue based on population, and the county received no revenue.
 - o If the county's population was less than 5,000 and:
 - Had no incorporated cities or unincorporated town, the county received all of the revenue.
 - Had one incorporated city or unincorporated town, the county and city/town divided the revenue based on population.
 - Had two or more incorporated cities, incorporated towns, or a combination of cities and towns, the cities and towns divided the revenue based on population, and the county received no revenue.
- **Liquor Tax:** Proceeds from the liquor tax revenue were distributed based on the number of cities in the county:
 - o In counties with no incorporated cities, the county general fund received all liquor tax revenue
 - o In counties with one incorporated city, the revenue was split between the city and county based on population
 - o In counties with two or more incorporated cities, the revenue was split between the cities based on population, and the county received no revenue

Upon creation of the CTX, Senate Bill 254 of the 1997 Session required that the initial base distribution of the CTX be based on the average amount of revenue that entities received from these six revenue sources under the old formulas in FY 1997 and FY 1998. Thus, the formula ensured that only those entities who were historically receiving at least one of the six revenues making up the CTX distribution would be able to participate in the CTX beginning in FY 1999.

Legislative History of the CTX

Senate Concurrent Resolution 40 (1995) created an interim study to review laws governing the distribution of tax revenues among local governments within counties – what is now known as the “second-tier” distribution. The interim study recommended the consolidation of state and local taxes from multiple sources (including the SCCRT) into a single fund – the Local Government Tax Distribution Fund (also known as the consolidated tax, or CTX) – for distribution at the second tier under a single formula. The recommendations of this study were eventually adopted by the Legislature in Senate Bill 254 of the 1997 Session.

Senate Bill 254 (1997) created the Local Government Tax Distribution Fund, as proposed under the SCR 40 interim study, to receive revenues from the BCCRT, SCCRT, Motor Vehicle Privilege Tax (now the Government Services Tax), Real Property Transfer Tax, Cigarette Tax, and Liquor Tax, and adopting a single formula for second tier distribution. The bill required the Executive Director of the Department of Taxation to administer the fund and distribute revenue to eligible local governments, special districts, and enterprise districts according to that formula.

Under the provisions of Senate Bill 254, the initial base amount that was set for each enterprise district, beginning with Fiscal Year 1999, was the average amount of revenue each enterprise district received during FY 1996 and FY 1997. For local governments and special districts, the base amount for FY 1999 was the average amount received during those fiscal years, adjusted for the percentage change between the total amounts received by all local governments and special districts in the county for FY 1997 and the average of the total amounts received by those entities during FY 1996 and FY 1997, and further adjusted by the change in the Consumer Price Index between July 1, 1997, and December 31, 1997.

To determine the distribution in subsequent years, the executive director must first, from each county's allocation at the first tier, allocate an amount to each enterprise district equal to the amount that the enterprise district received in the prior year. After that allocation is made, the executive director must then allocate to each local government or special district eligible for an allocation from the fund an amount equal to the amount allocated to that local government or special district for the preceding fiscal year multiplied by one plus the percentage change in the Consumer Price Index (All Items) for the year ending on December 31 immediately preceding the year in which the allocation is made. This amount is used by the department to establish the base monthly allocation to be made to each local government or special district. For the purpose of making adjustments to the base, the excess amount distributed to each local government or special district in the prior fiscal year is also included under the bill's provisions.

If there is not sufficient money available in the county's account to make the base monthly allocation for each local government or special district after the distribution to the enterprise district is made, the amount of available money shall be prorated and allocated according to the percentage of the amount that each local government or

special district received as a total of the amount distributed among all local governments and special districts in the county in the fiscal year immediately preceding the year in which the allocation is made.

If the executive director determines that there is money remaining in the county's account in the fund after the base monthly allocation is made, the remaining money is to be allocated as follows:

- Each local government's share is determined by multiplying one-twelfth of the annual allocation for the local government by one plus the sum of:
 - o The percentage change in the population of that local government for the fiscal year immediately preceding the year in which the allocation is made, as certified by the governor; and
 - o The average percentage change in the assessed valuation of taxable property in the local government (except that assessed valuation attributable to the net proceeds of minerals) over the five fiscal years immediately preceding the year in which the allocation is made.
- Each special district's share is determined by multiplying one-twelfth of the annual allocation for the special district by one plus the average percentage change in the assessed valuation of taxable property in the special district (except that assessed valuation attributable to the net proceeds of minerals) over the five fiscal years immediately preceding the year in which the allocation is made.

The figures calculated above for each local government and special district in a county are multiplied by the local government's or special district's base amount, with each product added together to determine a total for the county. The allocation that is received for each local government or special district is the percentage that each local government or special district's calculation comprises of the sum.

If the executive director determines that there is money remaining in the county's account in the fund after the base monthly allocation is made, but there has been one or more months in the same fiscal year where the base monthly allocation could not be made, the executive director must first allocate the money necessary to ensure that these base allocations can be made before any excess is to be distributed using the formulas above.

Senate Bill 254 also allowed the governing bodies of two or more local governments or special districts to enter into an interlocal agreement to set forth an alternative formula for the distribution of revenues under the CTX. The governing bodies of each local government or special district that is part of the agreement must approve the alternative formula by majority vote.

The provisions of the bill allowed any local government or special district that received any portion of the taxes included in the CTX before July 1, 1998, to request an adjustment to the base amount calculated for the initial year (FY 1999). The request was to be made to the Department of Taxation, who was required to take into account several criteria for evaluating the request, no later than December 31, 1997. The Committee on Local Government Finance (CLGF) was required to evaluate the findings of the department and determine whether an adjustment is appropriate. If it determined an adjustment was appropriate, it was required to submit a recommendation to the Nevada Tax Commission specifying the amount of adjustment recommended. If the CLGF determined that an adjustment was not appropriate, then no action would be taken, and the decision was not subject to review by the Nevada Tax Commission.

If the CLGF made a recommendation to the Commission, the Commission was required to hold a public meeting within 30 days to review the recommendation, based on the information submitted by the department and the CLGF. If the Commission determined that the adjustment was appropriate, the department was required to adjust the base amount for that entity by the specified amount in the recommendation.

Finally, Senate Bill 254 also allows certain local governments or special districts created after July 1, 1998, to request the Nevada Tax Commission to direct the executive director to allocate money from the fund to that local government as it would to any other local government or special district eligible to receive an allocation. The executive director is required to review each request and make a determination as to the allocation, which is then reviewed by the CLGF. If the request is determined to be acceptable by the CLGF, it is submitted to the Nevada Tax Commission for final approval. If the allocation is not determined to be acceptable by the CLGF, then no distribution will occur, and the decision is not subject to review by the Nevada Tax Commission.

The Nevada Tax Commission is required to schedule a public meeting within 30 days after the recommendation by the CLGF is submitted, with public notice of the hearing given by the Commission at least 10 days before the hearing date. If, after the public hearing, the Commission determines that the CLGF's recommendation is appropriate, it shall order the executive director to make the appropriate distributions to the local government.

Senate Bill 253 (1997) created an interim legislative committee and an advisory committee (composed of Executive Director of Department of Taxation and ten local government finance representatives) to study the distribution of revenue among local governments. The provisions authorizing the legislative committee were to expire on June 30, 2001.

Assembly Bill 124 (1999) changed the name of the Local Government Tax Distribution Fund to the Local Government Tax Distribution Account. The account is also changed from a special revenue account within the state treasury to an intergovernmental fund.

Senate Bill 534 (1999), which was one of the bills developed as a result of recommendations adopted by the interim committee created pursuant to Senate Bill 253 of the 1997 Session, created provisions requiring the executive director of the Department of Taxation to review allocations in local governments or special districts where population and assessed valuation (except that assessed valuation that is attributable to the net proceeds of minerals) decreases in each of the three preceding fiscal years. The executive director may determine the necessity to adjust the distribution, and if an adjustment is determined necessary, the findings made by the executive director shall be submitted to the CLGF.

The CLGF shall review the findings and, if it is determined that the adjustment amount is appropriate, shall submit a recommendation to the Nevada Tax Commission. (If it is not deemed to be appropriate, the decision is not subject to review by the Nevada Tax Commission.) The Nevada Tax Commission is then required to hold a public hearing within 30 days after the submission of the recommendation by the CLGF to determine whether the adjustment is appropriate. If the Commission determines that the adjustment is appropriate, it shall order the executive director to make the adjustment to the allocation for the affected local government or special district.

Senate Bill 535 (1999), another of the bills developed as a result of recommendations adopted by the interim committee created pursuant to Senate Bill 253 of the 1997 Session, revised the calculation of assessed valuation, with respect to determining the local government distribution at the second tier, by requiring that the assessed valuation of a redevelopment agency located within a local government or special district be included in the calculation of assessed valuation for that local government or special district.

Senate Bill 538 (1999) clarified that the five-year period for which the average percentage change in assessed valuation is taken for determining second-tier allocations is the fiscal year for which the allocation is being made and the immediately preceding four fiscal years.

Senate Bill 317 (2001) clarified the procedures regarding excess allocations of revenue that occur if the certified population issued by the governor is higher than the population estimate made by the Census Bureau and the local government has filed a formal appeal with the Census Bureau. The bill also created provisions regarding the distribution of revenues based upon whether the appeal results in a population that was either greater or less than the population amount used to make the initial calculation.

Senate Bill 557 (2001) revised the prospective June 30, 2001, sunset of the interim committee created by Senate Bill 253 of the 1997 Session to study the distribution of revenue among local governments, extending the sunset for the committee until June 30, 2005.

Assembly Bill 10 of the 17th Special Session (2001) modified the distribution formula at the second tier by specifying that the base amount for a fiscal year for local governments and special districts is only amount of base revenue distributed in the prior fiscal year, multiplied by one plus the change in the Consumer Price Index for the year ending on December 31 immediately preceding the year in which the allocation is made. The amount of excess distributed to the entity in the prior year was no longer included in the base calculation under these provisions.

The bill also modified the second-tier distribution formula by phasing out the “one-plus” calculation established during the 1997 Session for the distribution of excess revenues remaining after base allocations are made, in favor of a “no one-plus” calculation, as follows:

- Each local government’s share is determined by multiplying one-twelfth of the annual allocation for the local government by the sum of:
 - o The average percentage change in the population of that local government for the fiscal year immediately preceding the fiscal year for which the allocation is being made and the four fiscal years immediately preceding the year in which the allocation is made, as certified by the governor; and
 - o The average percentage change in the assessed valuation of taxable property in the local government, including the assessed value attributable to a redevelopment agency but excluding the assessed valuation attributable to the net proceeds of minerals, for the fiscal year for which the allocation is being made and the four fiscal years immediately preceding the year in which the allocation is made.
- Each special district’s share is determined by multiplying one-twelfth of the annual allocation for the special district by the average percentage change in the assessed valuation of taxable property in the special district, including the assessed value attributable to a redevelopment agency but excluding the assessed valuation attributable to the net proceeds of minerals, over the five fiscal years immediately preceding the year in which the allocation is made.

As with the “one-plus” calculation, the figures calculated above for each local government and special district in a county are multiplied by each entity’s base amount and then added together to determine a total for the county. The allocation that is received for each local government or special district is the percentage that each local government or special district’s calculation comprises of the sum.

To minimize the distributional effects that this formula change would have on local governments and special districts, the change from “one-plus” to “no one-plus” was phased in:

- For FY 2002, the allocation would be made by using 25 percent of the no one-plus formula and 75 percent of the one-plus formula;

- For FY 2003, the allocation would be made by using 50 percent of the no one-plus formula and 50 percent of the one-plus formula;
- For FY 2004, the allocation would be made by using 75 percent of the no one-plus formula and 25 percent of the one-plus formula; and
- For FY 2005 and all future fiscal years, the allocation would be made by using 100 percent of the no one-plus formula.

The provisions of Assembly Bill 10 of the 17th Special Session also required an adjustment of the annual base allocation for the City of Henderson in the amount of \$4 million, beginning in FY 2002.

Senate Bill 469 (2003), which contained the recommendations developed from the interim committee authorized pursuant to Senate Bill 557 of the 2001 Session, further revised the second-tier distribution of excess revenues to allow the usage of the one-plus formula in certain counties where the sum of population and assessed valuation growth for each local government is negative. The bill provides for two different formulas that can be used, depending on whether the average change in assessed valuation for special districts is positive or negative.

If the sum of the average population growth and average assessed valuation growth for all local governments is negative, and the average change in assessed valuation for all special districts is also negative, the following formula is used:

- Each local government's share is determined by multiplying one-twelfth of the annual allocation for the local government by one plus the sum of:
 - o The average percentage change in the population of that local government for the five years immediately preceding the year in which the allocation is made, as certified by the governor; and
 - o The average percentage change in the assessed valuation of taxable property in the local government, including the assessed value attributable to a redevelopment agency but excluding the assessed valuation attributable to the net proceeds of minerals, for the fiscal year for which the allocation is being made and the four fiscal years immediately preceding the year in which the allocation is made.
- Each special district's share is determined by multiplying one-twelfth of the annual allocation for the special district by one plus the average percentage change in the assessed valuation of taxable property in the special district, including the assessed value attributable to a redevelopment agency but excluding the assessed valuation attributable to the net proceeds of minerals, for the fiscal year for which the allocation is being made and the four fiscal years immediately preceding the year in which the allocation is made.

If the sum of the average population growth and average assessed valuation growth for all local governments is negative, but the average change in assessed valuation for any special district is positive, the following formula is used:

- Each local government's share is determined by multiplying one-twelfth of the annual allocation for the local government by one plus the sum of:
 - o The average percentage change in the population of that local government for the five years immediately preceding the year in which the allocation is made, as certified by the governor; and
 - o The average percentage change in the assessed valuation of taxable property in the local government, including the assessed value attributable to a redevelopment agency but excluding the assessed valuation attributable to the net proceeds of minerals, for the fiscal year for which the allocation is being made and the four for the fiscal year for which the allocation is being made and the four fiscal years immediately preceding the year in which the allocation is made.
- Each special district's share is determined by multiplying one-twelfth of the annual allocation for the special district by one plus the sum of:
 - o The average percentage change in the population of that local government for the five years immediately preceding the year in which the allocation is made, as certified by the governor; and
 - o The average percentage change in the assessed valuation of taxable property in the special district, including the assessed value attributable to a redevelopment agency but excluding the assessed valuation attributable to the net proceeds of minerals, for the fiscal year for which the allocation is being made and the four fiscal years immediately preceding the year in which the allocation is made.

The bill also revised the distribution of monthly base allocations to local governments and special districts for any month in which there is not sufficient revenue to make the entire monthly base allocation to all local governments and special districts. The bill required that, in these instances, the amount of each distribution to local governments and special districts be reduced, such that the total amount available for distribution is allocated to each local government and special district in an amount equal to its proportionate percentage of the total amount of the base monthly allocations for all local governments and special districts in the county.

Senate Bill 38 (2005) further revised the alternate distribution formula established under Senate Bill 469 of the 2003 Session by allowing counties whose average of net proceeds of minerals was \$50 million or more in the five fiscal years immediately preceding the year for which the allocation is being made, or whose average population growth is negative in the five fiscal years immediately preceding the year for which the allocation is being made, or who meet both of the above criteria, to use the one-plus calculation in lieu of the no one-plus calculation.

Appendix D

List of CTX Resources Available on the Legislative Counsel Bureau Website

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List of CTX Resources Available on the Legislative Counsel Bureau Website

- o Actual Revenues Distributed Under the First Tier and Second Tier of the CTX and Other Statistics Related to the CTX Distribution
 - o http://www.leg.state.nv.us/Interim/76th2011/Committee/Studies/AllocationMoney/Other/15-March-2012/03152012_CTX_Data_Material%20.pdf
- o Nevada Revised Statutes Related to the CTX from 1995 to 2011 as the Law Existed After Each Legislative Session
 - o <http://www.leg.state.nv.us/interim/76th2011/Committee/Studies/AllocationMoney/Other/2-February-2012/MeetingPage.cfm?ID=13&MeetingDate=2-February-2012>
- o History of Legislation Related to the CTX – Provides Access to CTX Bills and the Minutes from the Hearings on Each Bill
 - o <http://www.leg.state.nv.us/interim/76th2011/Committee/Studies/AllocationMoney/Other/2-February-2012/MeetingPage.cfm?ID=13&MeetingDate=2-February-2012>
- o List of Bulletins from Prior CTX Interim Studies
 - o http://www.leg.state.nv.us/Interim/76th2011/Committee/Studies/AllocationMoney/Other/1-February-2012/CTX_Bulletins_02012012.pdf